Highlights 1987 Ontario Budget

ROBERT F. NIXON
TREASURER
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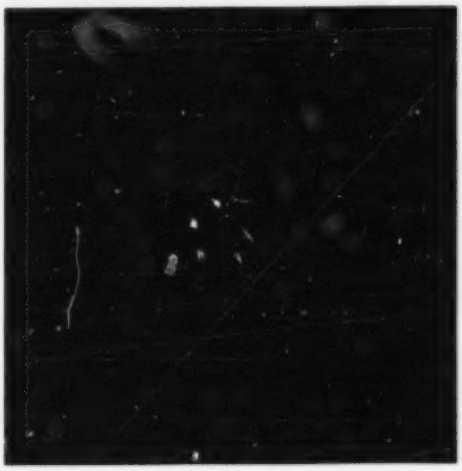

HIGHLIGHTS

1987 Ontario Budget

Robert F. Nixon
Treasurer of Ontario and
Minister of Economics

The 1987 Ontario Budget:

- Cuts taxes by $246 million, primarily for the elderly and low-income people;
- Funds essential social and economic priorities in education, health, housing, child care, transportation and high technology;
- Provides important new programs for Northern and Eastern Ontario;
- Delivers needed assistance to our agriculture community;
- Reduces the deficit by $331 million;
- And, contains no tax increases.

Economic Outlook

Ontario is enjoying its fifth straight year of economic expansion, with continuing high levels of capital investment and job creation. Over the past two years, the real gross provincial product (GPP) has grown by 9.4 per cent and capital spending by business has increased by more than 30 per cent. Ontario gained 312,000 net new jobs in the past two years -- one of North America's fastest rates of employment growth.

The outlook for 1987 is for a 3.5 per cent increase in the GPP, and the creation of 125,000 new jobs.

Expanding Our Economic Potential

The Budget contains many measures aimed at expanding the province's economic potential.

Technology Development

The Premier's Council on Technology has assisted the Government in setting rigorous guidelines for the activities financed by the $1 billion Technology Fund. The Government has allocated $100 million in 1987-88 for technology fund expenditures. Decisions respecting the Centres of Excellence will be announced over the next few months.

Improving the Quality of Education

Provincial and local spending on primary and secondary schools will total almost $9 billion this year, $47 million per school day. The Budget provides for capital grants for school facilities of $147 million this year, and commits a further $226 million for 1988-89.

Skills Training and Youth Employment

The Futures program, initiated in 1985, has already helped more than 50,000 young people to upgrade their education and work skills.

The Futures program will be strengthened by assisting workers under the age of 25 to return to school on a part-time basis.

The Budget also allocates $5 million this year, and $14 million next year, to retrain older workers who have been laid off.

Colleges and Universities

Operating grants for colleges and universities are increased by 11.5 per cent over last year, and $100 million will be provided for capital needs.

The Ontario Student Assistance program will receive an additional $25 million, and an interest relief plan will be introduced that links repayment of student loans to each graduate's actual income. Tuition fees for 1,000 highly qualified graduate students from outside Canada will be reduced to the domestic student level, at a cost of $5 million.

Enhancing Regional Economic Growth

The Budget proposes various measures to assist specific regions and economic sectors.

Northern Ontario

The Budget provides for Northern Development Fund expenditures of $28 million this year to support community adjustment, northern job creation and development of business and tourism.

The relocation to Northern Ontario of several major Government offices will add more than 1,200 permanent jobs and an annual payroll of $40 million to the region's economy.

The Budget provides $107 million for northern transportation in 1987-88, a 32 per cent increase over last year.

A Northern Ontario Heritage Fund is established, with an initial allocation of $30 million, to promote diversification and long-term economic growth.

The Budget also proposes a three-year mining profits tax exemption for new mines, at an estimated annual cost to the Province of $5 million.

Eastern Ontario

The Budget introduces a new $25 million five-year community economic development program, for Eastern Ontario. It will provide funding to coordinate business-related assistance programs and help finance business support services and capital assistance.

Agriculture

Funding for the Ministry of Agriculture and Food will total $563 million in 1987-88 -- a 72 per cent increase since the Government took office. Among the initiatives announced in the Budget Statement:

- A three-year $40 million Land Stewardship program to encourage sound land management and environmental protection;
- A new $50 million Farm Management, Safety and Repairs program. It will provide grants of up to $2,500 per farmer to encourage farm safety, improve farm management techniques, and assist in the purchase of machinery repairs and grain storage facilities. All farmers with a minimum of $12,000 in gross farm production income will be eligible for the program;
- The Budget also proposes changes to the farm tax rebate program, replacing the current 60 per cent rebate on farm property with a 100 per cent rebate on farm land and outbuildings and eliminating the current requirement to pre-pay property taxes. Farm residences will be taxed separately as farm property.

Planning for Growth

The Budget includes special measures to help municipalities cope with growth pressures and to protect the quality of urban life.

- The capital budget for school facilities is set at $147 million in 1987-88 and $226 million in 1988-89;
- The Budget announces a $290 million initiative, over the next three years, to upgrade and expand the transportation system;
- For 1987-88, municipal road grants will increase by 9.5 per cent. Capital grants for municipal transit systems in 1987-88 will be $177 million, and a further $100 million will be available for service improvements and expansion of the GO transit system.

Housing

Total funding for the Ministry of Housing will increase by 34 per cent in 1987-88. This year, the Ministry of Housing will begin the next phase of its Assured Housing Strategy that will in total provide a further $220 million in capital support for the construction of more affordable rental housing. An additional $50 million will be provided annually to support the operating costs of these initiatives.

Health

The Budget provides more than $11 billion for health care programs, an amount equivalent to more than $1,200 annually for each Ontario resident.

Additional funding this year will improve the quality of care in nursing homes, and enhance other health services.

Environment

The Ministry of the Environment's budget has been set at $418 million this year, a 16 per cent increase over 1986-87. Among the environmental items contained in the Budget were:

- An extra $49 million in capital funding this year for waste management and water and sewer projects;
- Up to $85 million, to be matched by the federal government, to assist Ontario's three largest industrial sources of air pollution to reduce acid gas emissions.

Equity for all Citizens

The Budget expands and improves on a number of social programs, providing:

- An additional $26 million for child-care initiatives this year, raising the Government's total child-care commitment to $185 million;
- A $50 monthly increase in Gains-D benefits for disabled Ontarians, starting June 30, 1987, at a cost of $54 million annually;
- An increase in the maximum Ontario tax grants for seniors from $500 to $600. Provincial tax grant support for seniors affects 570,000 households, and will total $385 million this year;
- $100 million over six years to maintain and upgrade municipal and charitable homes for the aged;
- An increase in the basic property tax credit, from $180 to $230, providing $85 million in additional benefits to 1.8 million Ontario residents;
- The Ontario tax reduction program will be enriched by $10 million, reducing or eliminating 1988 Ontario income tax for an additional 160,000 people;
- The minimum income level for OHIP premium assistance will be raised to benefit an additional 40,000 families in 1988.

The Retail Sales Tax exemption for prepared meals will be raised from $2.00 to $4.00, effective June 1, 1987.

Federal-Provincial Issues

In respect of federal tax reform, the Treasurer stated:

> "I believe the current tax system is failing the tests of fairness, simplicity and taxpayer acceptance. The proliferation of tax preferences has made the system complex, confusing, and inequitable. With the right changes, the Canadian tax system can be fairer, more competitive and less intrusive into business and personal affairs."

"Tax reform must recognize that the tax system and the social assistance system need to be harmonized. Tax reform should not preclude the introduction of a guaranteed annual income."

The Treasurer indicated that he would assess the impact on Ontario's economic forecast and fiscal plan, and spending and tax policies, following the release of federal proposals.

Fiscal Management

The 1986-87 deficit was reduced from a planned level of $1.6 billion to $1.3 billion. For 1987-88, revenue is expected to increase by 8.5 per cent and the spending plan is held to an increase of 7.1 per cent, for a further deficit reduction to $980 million. The 1987-88 operating account is essentially balanced.

Enquiries

General enquiries about the 1987 Ontario Budget should be directed to:

Ministry of Treasury and Economics
Frost Building South, Queen's Park
Toronto, Ontario
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(416) 965-7171

1987 Ontario Budget

Presented to the Members of
the Legislative Assembly of Ontario by
Robert F. Nixon
Treasurer of Ontario and Minister of Economics
May 20, 1987

General enquiries regarding policy in the *Ontario Budget 1987* should be directed to:

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Enquiries regarding specific measures in the *Ontario Budget 1987* should be directed to the addresses given in Budget Paper A to the Budget Statement.

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1987
Ontario Budget

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1987 Budget at a Glance

	Interim 1986-87	Plan 1987-88	Per Cent Change
	($ million)		
Gross Provincial Product	194,639	209,000	7.4
Revenue	31,220	33,866	8.5
Expenditure	32,531	34,846	7.1
Net Cash Requirements	1,311	980	

1987 Budget Statement

This Budget will outline the Government's record of fiscal management and present an economic plan for this year.

Under the leadership of Premier David Peterson, the Government has dealt effectively with the issues confronting it over the past two years and has given a high priority to education, technology development and entrepreneurship. These are the surest foundations of Ontario's continued prosperity. We have increased spending on vital programs that had been starved for funding due to economic constraints. We have funded programs for specific regions and for groups requiring special assistance. At the same time, we have significantly reduced the Provincial deficit. Our aim now is to build on the sound fiscal foundation that has been established.

Ontario's economy is showing solid growth. But some regions, some economic sectors and some people are not sharing fully in the benefits. The Government is committed to working towards a durable prosperity that is shared by all. Today, I am laying out our plan to do this.

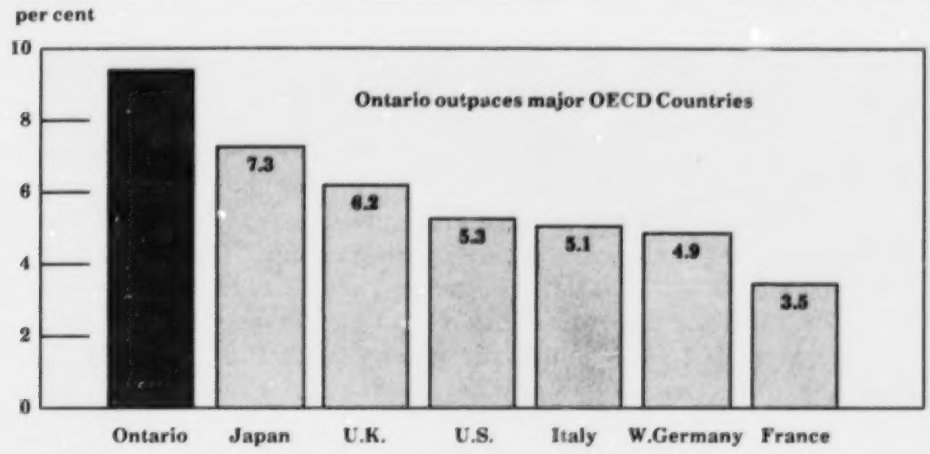
Before proceeding, I acknowledge the contribution of the Standing Committee on Finance and Economic Affairs. I also thank the many organizations and individuals who appeared before the Committee and met with me and with Treasury staff.

The Ontario Economy

Ontario is experiencing its fifth straight year of economic expansion. Over the past two years, the real gross provincial product has grown by 9.4 per cent, faster than any of the major OECD economies.

Lower interest rates, lower oil prices, stable inflation rates and high and growing employment levels have encouraged consumer spending. In addition, favourable exchange rates and competitive cost structures have made Ontario an attractive location for investment by both foreign and domestic enterprises.

Comparative Growth Rates in Real Output
1984 to 1986



The world economy has been undergoing a major restructuring and the impact on Ontario has been significant. Some traditional industries have experienced decline, while a range of new industrial activities has emerged. This restructuring has been accompanied by job losses in some industries and some communities. Over the past two years, major layoffs in Ontario have affected some 27,000 people and have caused hardship not only to these individuals and their families but also to their communities.

During the same period, newly emerging industries, and a generally strong and more efficient economy, have meant that job gains overall have far exceeded job losses. On a net basis, overall employment increased by 312,000 jobs. In fact, Ontario has had faster employment growth than any other major industrial jurisdiction in North America.

Business capital investment has been one of the major sources of Ontario's recent economic strength, and represents a vote of long-term confidence in our future. Over the past two years, private sector capital spending has grown by more than 30 per cent. In 1987, we expect a further increase of 7.2 per cent to a total of $24 billion.

Manufacturing investment in Ontario will remain strong, with transportation equipment maintaining the largest share. U.S. and Japanese auto companies are undertaking major capital investments. As well, many Canadian-based auto parts suppliers are investing in new technology, often through joint-venture projects.

Ontario's competitive position in materials, labour and electricity costs has allowed the province to attract a large share of new automotive investments in North America. State-of-the-art production facilities, a well-trained work force, and innovative management techniques will enable Ontario's auto industry to continue to compete effectively with other jurisdictions in North America.

Capital investment in the electrical, high technology electronic, and machinery industries, as well as in pulp and paper, and clothing will also show significant increases.

I am especially encouraged by the increase in investment activity in Northern Ontario. In addition to new capital spending in pulp and paper, several new mines are under development and mining investment is growing.

Consumer spending remains strong, particularly in housing and household goods. Housing starts rose to 81,500 units last year, the highest level in more than a decade. We expect a further 82,000 housing starts this year.

The overall economic outlook for the province continues to be favourable. Real gross provincial product is forecast to grow by 3.5 per cent in 1987. Job creation will average 125,000 and the unemployment rate is expected to average 6.5 per cent for the year. Consumer price increases will remain moderate, averaging 4.2 per cent. Further details on Ontario's economic outlook are provided in Budget Paper B.

This Budget will present policies in five priority areas:

- first, to promote economic expansion and job creation;
- second, to enhance opportunities in sectors and regions that are not fully participating in the benefits of economic growth;
- third, to rebuild our aging infrastructure and accommodate growth pressures;
- fourth, to improve important social programs and to promote a fairer distribution of wealth in our society; and,
- fifth, to maintain our vigilance over tax levels and the deficit.

Expanding our Economic Potential

It is essential that Ontario maintain and, indeed, increase its share of world trade and investment. To do so, the Government must encourage the development of areas that are crucial to our international competitiveness, including technology, and education.

Technology Development

The Premier's Council on Technology was created in July, 1986, in recognition of the importance of technology to the realization of our economic potential. The Council plays a pivotal role in the Government's technology development strategy. I acknowledge that, in setting our first year spending plan for the Technology Fund, we allocated more money, as it turned out, than could be prudently spent. It is of foremost importance that these funds are spent wisely, not quickly, and the Council will continue to help us ensure the money we have committed is well spent. Our $1 billion commitment remains intact.

The members of the Council are busy people in their own chosen and widely varying fields. Yet they have devoted considerable time and effort to the task they have undertaken.

The Council has provided guidelines and criteria for the industry component of the Technology Fund and for the Centres of Excellence program. Its members have insisted on a rigorous review of all proposals, many of which are now being subjected to a peer review by an international panel of experts. Over the next few months, the Government will be announcing its decisions in respect of the proposed Centres of Excellence.

The Council has also commissioned an in-depth study of the competitiveness of our industry. This study will help guide us in directing our expenditures to best effect.

A Responsive Education System

It is the Government's top priority to improve the quality of education in Ontario. This includes not only schools and post-secondary institutions, but also the entire spectrum of lifelong opportunities for learning and skills development. It is a crucial responsibility. Education is not only essential for long-term economic growth, it is also the key to the development of each person's full potential.

Ontario's education system has adapted well in recent years to society's changing needs. But, as former Youth Commissioner, Ken Dryden, pointed out in his recent report:

> "The rapidly accelerating pace of change will require people to have more adaptable skills and attitudes, to be better able to deal with change. Increased use of technology will mean less physical labour but the need for greater conceptual and numeracy, analytical and problem-solving skills."

The Throne Speech set out the steps we are taking to broaden the range and improve the quality of educational opportunities. The Government attaches particular importance to establishing learning skills projects, upgrading the basic curriculum and improving the assessment of student achievement. We are launching new programs to make educational resources more readily available, especially to Franco-Ontarians and students in the North.

We have also acted to provide school facilities in areas of rapid growth. Capital grants for education have been set at $147 million for this fiscal year which is double the amount provided in 1984-85.

Equally important are the Government's efforts to confront the problem of young people leaving high school without having a job or plans for further training or education. While the dropout rate is improving, it is still unacceptably high and special efforts are required to reduce it further.

Last year we launched a two-part program to help students remain in school, and to ease their transition from classroom to workplace. The Co-operative Education component is providing 28,500 Ontario students with alternating periods of classroom instruction and on-the-job training. The other phase, the Transition to Employment component, will help some 9,000 students find jobs when they leave school.

The Budget provides funding for additional education initiatives announced in the Throne Speech. The Minister of Education will give details shortly.

Provincial and local spending for primary and secondary education in Ontario will total almost $9 billion this year, or $47 million per school day.

Skills Training

In 1985, the Government introduced the Futures program to deal with the unemployment problems of out-of-school youth. This program has been highly successful. Since its inception in November 1985, Futures has provided more than 50,000 young people with a chance to upgrade their education as well as their life and work skills. The Futures program will be strengthened by assisting workers under the age of 25 to return to school on a part-time basis.

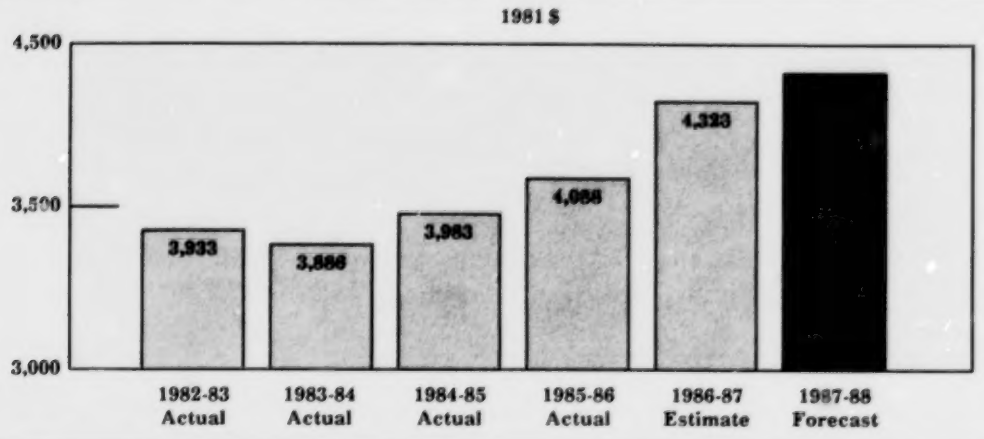
For older workers, who often have difficulty finding new jobs upon lay-off, the Government will provide training support to help them acquire new skills, at a cost of $5 million this fiscal year and $14 million in a full year.

Colleges and Universities

The Government's commitment to post-secondary education is clearly reflected in its record of funding improvements. Last autumn, I announced that universities would receive a substantial base increase in operating grants of 11.5 per cent for 1987-88.

Ontario's Colleges of Applied Arts and Technology received a special allocation of $60 million in 1986-87. These funds will continue in the funding base for 1987-88 and beyond.

Real Operating Grants per Student * in Post-Secondary Institutions, 1982-83 to 1987-88



* Full Time Equivalent Enrolment
** In current dollars, operating grants per student for 1987-88 are forecast at $6,098.

The need to upgrade facilities in universities and colleges has accumulated, due to capital funding constraints dating from the mid-1970's. The Government will provide $100 million for post-secondary capital expenditures in 1987-88. This represents a doubling of the capital funding provided as recently as two years ago.

Accessibility to post-secondary education can be hindered by concern over the rising burden of loan repayment facing students upon graduation. The Government has taken concrete measures to address this problem.

- The Ontario Student Assistance program (OSAP) has been increased by $25 million, or 17 per cent, for the coming academic year.
- A new interest relief plan will be introduced for those having difficulty repaying Ontario student loans. Unlike the Canada Student Loans plan, Ontario's plan will be closely geared to the graduate's actual income. The Minister of Colleges and Universities will call on the federal government to extend its interest relief provisions to graduates in low-paying, part-time, or internship positions.

One benefit of having outstanding educational institutions is that their excellence can be shared with others. Accordingly, we will assist 1,000 highly qualified graduate students from outside Canada, by reducing their tuition fees to the level for domestic students. The benefits of this $5 million program will be substantial. The presence of international students in our universities strengthens the cultural and business links between Ontario and other countries, and it enriches the institutions themselves.

Enhancing Regional Economic Growth

In addition to the measures we are taking to expand our economic potential, we are acting to enhance assistance to those regions that are not fully sharing in Ontario's current economic expansion.

Northern Ontario

Our northern economy is undergoing a difficult process of adjustment to a world economy characterized by more intense competition and low mineral prices. Many resource companies have been forced to cut costs, rationalize operations, and to lay off employees or, in some cases, to shut down operations. Even though economic conditions are improving in some parts of the North, unemployment in the region as a whole is four percentage points higher than the provincial average.

We have responded to these difficulties by providing short-term assistance to help communities and individuals adjust to major layoffs. We have also committed ourselves to a strategy for long-term revitalization of the northern economy. This strategy is aimed at strengthening the resource-based sector and diversifying the economy, by attracting new investment, and making Government programs and services more accessible and relevant to northern needs. It is our objective to return prosperity to the North, by making it more competitive and less vulnerable to volatile resource markets.

- In 1985, we established the $100 million Northern Development Fund. To date, some $17 million has been spent. This fiscal year, we expect to spend a further $28 million in support of community adjustment, business and tourism development, new educational opportunities and northern job creation.
- We have also set up nine Northern Development Councils to advise the Government on ways to achieve our northern development objectives.

The transfer of several Government offices from Toronto to Northern Ontario will assist in the diversification and stabilization of the local economies. The head office of the Ministry of Correctional Services will move to North Bay. The head office of the Ontario Lottery Corporation and the Forestry Division of the Ministry of Natural Resources will move to Sault Ste. Marie. The administration of the Ontario Student Assistance program will be transferred to Thunder Bay. So will the Registrar General Branch of the Ministry of Consumer and Commercial Relations. The head office of the Ministry of Northern Development and Mines will move to Sudbury. When these transfers are completed, more than 1,200 permanent public service jobs will have been moved to Northern Ontario. These relocations represent an annual payroll of $40 million.

We have consulted and listened. We have acted. We know that more needs to be done for Northern Ontario.

Northern Transportation

People in the North are very concerned about transportation issues because of the distances they have to travel. We have consulted widely with Northerners and have been told that, while there is concern about gasoline price differentials, the immediate priority should be that of improving northern highways.

In response, the Government has decided to increase the allocation for northern transportation by over 32 per cent, or $26 million, to a level of $107 million for 1987-88, most of which will be spent on northern roads. Also, some of the extra funding will be dedicated to key northern access highways in order to improve commercial transportation and tourism. In addition to improving transportation in the North, a significant number of construction jobs will be created.

The Northern Ontario Heritage Fund

For decades, many Northerners have believed that a larger share of revenue derived from their resource heritage should flow back into the region.

We are establishing a Northern Ontario Heritage Fund to help ensure long-term economic growth and diversification in the region. The Fund will have an initial allocation of $30 million.

The Heritage Fund will operate under the guidance of the Minister of Northern Development and Mines. He will be assisted in his decisions by a Heritage Fund Advisory Council with representatives from each of the Northern Development Councils.

Mining Taxation

As a further benefit to the northern economy, I am proposing a three-year mining profits tax exemption for new mines. This exemption would apply to the net income of newly producing mines. I estimate the value of this incentive to be $5 million per year.

Eastern Ontario

Many parts of Eastern Ontario are not fully participating in our economic growth. The Throne Speech announced a number of initiatives to address this problem, including the establishment of a small business services network and the opening of an Eastern Ontario Development Corporation office in Pembroke.

In addition, I am announcing a new Eastern Ontario Community Economic Development program to enhance growth and employment opportunities in the region. Under this program, the Ministry of Industry, Trade and Technology, in conjunction with local economic development commissioners and other municipal officials, will identify special opportunities for enhanced community economic development.

We will allocate $25 million to this program over the next five years. The program will provide funding to coordinate business-related assistance programs and to help finance business support services and capital assistance.

Tourism

The tourism industry represents a major source of economic potential, particularly for many of Ontario's smaller communities and the northern and eastern regions of the province. The Government is committed to the strengthening and revitalization of this important sector. In the past year, we have significantly enhanced our marketing efforts and extended the Tourism Redevelopment Incentive (TRIP) and the Grading Assistance programs for a further two years. Under the TRIP program, Provincial loan guarantees are expected to reach $130 million this year.

The Destinations North and East programs we introduced in 1986 have received an enthusiastic welcome from the industry. To ensure that quality proposals are not passed over or delayed due to a lack of available funding, an additional $5 million has been provided for these programs.

This Budget provides funds to make tourism and recreation programs and facilities more accessible to disabled persons and to provide financial support for the renovation and development of heritage inns.

These measures will bring the growth in the Ministry of Tourism and Recreation's budget to 9.3 per cent.

Agriculture

The agriculture community in Ontario continues to face difficult times. While red meat prices have improved, low prices for many other farm commodities, high debt loads and declining farm asset values continue to place many of our farmers in a tight financial position. Increasingly farmers have to supplement their incomes from non-agricultural sources.

In recognition of the problems facing the agriculture community, the Government has taken a number of initiatives. In 1985, we introduced the Ontario Family Farm Interest Rate Reduction(OFFIRR) program . During the past year we extended the program and enhanced it further. In the fiscal year just ended, $50 million was provided through the Farm Income Stabilization program. To assist in the orderly rationalization of the tobacco industry, we are contributing $15 million to the federal-provincial Tobacco Assistance plan. In 1986, we introduced the Ontario Pork Industry Improvement program, for which funding will be increased to $11.3 million in 1987-88.

This fiscal year, we will be taking further steps to assist the industry.

- To stimulate the agricultural and rural economy we are introducing a $50 million Farm Management, Safety and Repairs program. It will provide grants of up to $2,500 per farmer to encourage farm safety, improve farm management techniques, and assist in the purchase of machinery repairs and grain storage facilities. The program will run from June 1, 1987 to May 31, 1988 and will be available to all farmers with a minimum of $12,000 in gross farm production income.
- As announced in the Throne Speech, the Ministry of Agriculture and Food's headquarters will be moved to Guelph. This will improve communication among provincial, federal, university and private sector farm organizations and enhance Guelph as a centre of excellence in agricultural research and training.
- The Beginning Farmers Assistance program will be extended for five years.
- For 1987-88, benefits under the OFFIRR program will be maintained at the 100 per cent level rather than the scheduled reduction to 70 per cent.
- To encourage sound land management practices, the Government is introducing a new three-year $40 million Land Stewardship program. This program will provide financial assistance to farmers for restoring soil productivity and for reducing environmental damage on both productive and marginal lands.

Farm Tax Rebate

Property taxation of farms is a long-standing issue in Ontario. Currently farmers receive a rebate from the Province of 60 per cent of farm property taxes paid. The Farm Tax Reduction program recognizes that productive farm property should not bear the full brunt of property taxes; but, as currently structured, it does not concentrate benefits on *bona fide* farmers. This situation is inequitable and should be corrected.

I am proposing a revised program to provide more equitable tax treatment.

- Beginning this year, the farm tax rebate will increase from 60 per cent of taxes paid on the entire farm to 100 per cent of taxes assessed on farm land and outbuildings. This will be a rebate, not an exemption. Farm residences will be considered separately and will continue to be taxed as farm property.
- Starting in 1988, the rebate will be paid in two instalments.
- The requirement to prepay 60 per cent of taxes will be discontinued.

As a result of these improvements, the total value of these rebates will increase by 17 per cent.

Similar changes will be introduced in respect of managed forest lands, and we will introduce a new rebate program for wetlands and areas of natural and scientific interest.

The Ministers of Agriculture and Food and Natural Resources will be announcing the full details shortly.

With these announcements funding for the Ministry of Agriculture and Food will have increased 72 per cent since we took office.

Planning for Growth

Sustained economic growth is our goal for Ontario. But we must recognize that growth is putting great pressure on our school and transportation facilities, particularly around Metro Toronto. Moreover, housing and environmental pressures must be addressed. Growth generates certain problems that, without good management and planning, would threaten the quality of our urban life.

School Facilities

With respect to school facilities I have already indicated that the capital budget has been set at $147 million for the current fiscal year. In recognition of the pressing need to plan now for the rapid growth that is taking place in some Ontario communities, we have approved a capital budget of $226 million for 1988-89. The Minister of Education has already made announcements concerning these forward commitments.

Transportation

Ontario has one of the world's safest, most efficient transportation systems. But we agree with municipal representatives who have warned that it will take major expenditures to keep it that way. After years of spending constraints, Ontario's network of roads, bridges and expressways is beginning to deteriorate. We must act now to reverse that trend. In addition, we have to make provision for traffic congestion relief and other improvements to the existing network.

The Government has decided therefore to provide a major enrichment of $290 million, over the next three years, to upgrade and expand the transportation system. As recently announced by the Minister of Transportation and Communications, $130 million of this new funding will be spent in the Greater Toronto Area. As well as addressing other priority needs for municipal roads and transit, this will enable an immediate start on Highway 407. The balance of $160 million in new funding will be spent outside the Greater Toronto Area to address vital road and transit requirements.

In this fiscal year, in addition to the enrichment for northern roads, $50 million more will be provided for other regions of the province.

Transit spending will continue at high levels. Service improvements and expansion of the GO Transit system will be funded at over $100 million this fiscal year. We will also be providing $177 million to municipalities for capital spending on their transit systems. In addition, the Government is continuing discussions with municipalities and transit authorities to carefully examine proposals for new transit projects for the Greater Toronto Area.

With the three-year enrichment I am announcing today, the 1987-88 municipal roads allocation will be increased by a further $28 million to a total of $601 million, for an increase of 9.5 per cent over last year. In addition, we will continue the $30 million Ontario Municipal Improvement Fund.

Transportation spending will rise by 7.8 per cent in 1987-88. The Government is firmly resolved that, by the end of this decade, Ontario will have a safer, more efficient and better maintained transportation system.

Housing

As I mentioned earlier, the Ontario housing industry has returned to its full strength. However, the problem of providing enough low-cost rental accommodation continues to be a major challenge. Since taking office, the Government has increased significantly the level of spending on housing programs. This year, the Ministry of Housing will begin the next phase of its Assured Housing Strategy that will in total provide a further $220 million in capital support for the construction of more affordable rental housing. The Government will also provide an additional $50 million annually to support the operating costs of these initiatives. As part of this strategy, we will enhance housing and integrated support services for the homeless, the disabled, discharged psychiatric patients, victims of family violence, the frail elderly and other socially disadvantaged persons.

In conjunction with the housing industry, we will undertake a program to use Provincially-owned lands for the production of affordable rental accommodation. We invite the federal government, with its extensive urban land holdings, to join us in this innovative approach.

This fiscal year, the Ministry of Housing will have available a total of $378 million, an increase of more than 34 per cent over the level spent last year. Details of the new initiatives will be announced by the Minister of Housing.

Health

For 1987-88, this Budget provides more than $11 billion for health-care programs, including initiatives announced in the Throne Speech. This represents more than $1,200 per person. The Government will provide additional funding to improve the quality of care in nursing homes, establish new addiction treatment services for youth, and increase access to health-care professionals and community mental health services in the North.

We are also aware of the greatest challenge in managing Ontario's health-care system: to maintain quality in the face of rising demand, while at the same time holding costs within affordable limits. Two major studies of the future of our health-care system are underway--the Ontario Health Review Panel, chaired by Dr. John Evans, and the Panel on Health Goals for Ontario, chaired by Dr. Robert Spasoff. The Government is confident that their reports will recommend fresh responses to this challenge.

The Government is proud of its record in supporting a greater emphasis on community-based services. We are also committed to maintaining and enhancing institutional services. In the 1986 Budget, I announced a major hospital capital expansion which will improve access to institutional services.

Multiculturalism

The Minister of Citizenship and Culture will be announcing a Government-wide range of initiatives to enrich the cultural mosaic of our province. This Budget provides $4 million in new funds to begin the implementation of a series of activities, including expanded second language training, multilingual resource materials for newcomers, and increased support to community museums and activities.

Environment

The Government places a high priority on protecting the environment, and has introduced several major pollution abatement programs.

To reduce the level of toxic contaminants entering our waterways, the Ministry of the Environment has introduced the Municipal-Industrial Strategy for Abatement.

An $8 million comprehensive waste management program is being introduced to assist municipalities in upgrading landfill sites and in developing waste management facilities.

Deteriorating water and sewer systems throughout the province must be rebuilt before they require even more costly replacement. To determine the extent and urgency of this problem, $14 million is being made available, over the next three years, to assist municipalities in undertaking detailed assessments of the condition of their facilities.

Although most of the pollution in the Niagara River originates from American sources, Ontario is committed to cleaning up domestic sources. In support of Canada's international agreement with the United States to reduce toxics in the river by 50 per cent by 1996, we recently announced more than $9 million over the next three years towards water pollution control projects in Welland and Fort Erie.

In total, an additional $49 million in capital funding is being provided this fiscal year for waste management and water and sewer projects.

Under the 1987 Canada-Ontario Agreement on Acid Rain, the two governments will each make available up to $85 million. These funds will assist Ontario's three largest industrial sources of acid gas emissions in financing the large investments required to meet the Province's emissions target by 1994.

The total budget of the Ministry of the Environment has been set at $418 million this year, a 16 per cent increase from 1986-87.

The federal government did not respond favourably to the Province's request that it participate in protective measures to deal with the problems created by high water levels in the Great Lakes. Although lake levels have receded in recent months, many municipalities along Lakes Huron, Erie and St. Clair have sustained damage to publicly owned infrastructure. To respond to immediate needs, while a longer-term solution is being developed, I am providing $6 million to share the cost of needed capital repairs. This funding will supplement existing capital assistance programs.

Equity for all Citizens

We believe there is an important link between strong social programs and the health of our economy. Fiscal responsibility and social conscience are not mutually exclusive. We have made substantial progress towards improving our social programs and we will do more.

Child Care

The Government realizes that high quality, affordable child care is both an economic and a social need, and that parents require a range of choices -- cooperative, non-profit, private and informal -- to suit their family circumstances.

This issue is not confined to Ontario. In recognition of its national dimensions, federal-provincial discussions are currently underway. The Minister of Community and Social Services is taking an active part in these discussions.

We believe that a national policy should provide support for non-profit and commercial centres. In addition, there is a need for capital grants and start-up money to non-profit operations. Furthermore, the current system of subsidies to needy parents should be simplified and made more flexible. In this regard, we are concerned about the directions proposed by the Special House of Commons Committee on Child Care.

While we have every expectation that the current negotiations will result in a national strategy, given the pressing needs in this area, we have decided to take some action now. We will provide an additional $26 million for child care initiatives this year, raising our total commitment to child care to $185 million.

Over the next three years, the Government will provide $33 million in capital funding. The Minister of Community and Social Services will be announcing the details. Moreover, planning is underway to provide child care spaces in all new schools and to encourage municipalities to require child care facilities in new commercial buildings.

The Disabled

In recognition of the needs of the low-income disabled, I am increasing Gains-D benefits by $50 per month to be paid beginning June 30, 1987. This change will cost $45 million this fiscal year and $54 million in a full year.

In addition, funding will be provided to improve our system of community support services for the disabled. Opportunities for disabled adults to maintain an independent existence in their own communities will be enhanced and the special needs of physically handicapped children at home will be addressed.

The Elderly

Since 1980, Ontario has paid tax grants to seniors for the first $500 of their property taxes. To help Ontario seniors continue to live independently, I propose to increase the maximum grant from $500 to $600 a year. In the fall, this enrichment will be included in the grant cheques to 570,000 Ontario seniors' households. These benefits will provide $55 million in 1987-88, bringing total property tax support for seniors to $385 million this fiscal year.

There is a pressing need to maintain and upgrade the municipal and charitable homes for the aged. Under the capital rehabilitation program announced in 1985, more than 60 homes have already received funding. The Government will provide a further $100 million to renovate additional homes over the next six years.

Tax Relief for Low-Income People

Improvements are also needed in our taxation system to better reflect people's ability to pay taxes. I expect tax reform to involve a reduction in tax burden for low-income Ontarians. But we cannot ask low-income people to wait for tax reform. Today, I am bringing forward three measures designed to ease their tax burden.

Ontario Property Tax Credits

I am proposing legislation to strengthen our commitment to the Ontario property tax credit system. The basic property tax credit will be increased from $180 to $230, effective for the 1987 tax year. As a result, about 1.8 million low and moderate income taxfilers who pay property taxes or rent will share an increase in benefits of $85 million.

This enrichment will raise the cost of the Ontario Tax Credit program to $360 million and will make local tax burdens fairer and more affordable.

Ontario Tax Reduction Program

But more can be done to ensure fair taxes for lower income citizens. As Members will recall, I enriched Ontario's tax reduction program for 1987 in the last budget. For 1988, I plan to expand the Ontario Tax Reduction program by an additional $10 million, bringing total tax cuts under the program to $35 million. As a result, an additional 100,000 people will pay no Ontario income tax and 60,000 people will pay less Ontario income tax.

This action means that, since taking office, the Government will have doubled the number of Ontario taxfilers receiving income tax reductions. Fully 600,000 taxfilers, who pay up to $270 each in federal income tax, will pay no Ontario income tax in 1988 due to this program.

OHIP Premium Assistance

We will also substantially reduce the number of Ontarians who pay OHIP premiums. Effective for 1988, the income limits under which premiums are reduced or eliminated will be increased. As a result, another 40,000 individuals and families with low income will no longer pay premiums. This provides an additional benefit of $20 million.

In total, these measures to reduce income and property taxes and OHIP premiums will put $115 million into the hands of low and moderate income people.

Low Priced Meals

We made a commitment to a $4.00 exemption level for prepared food. I am pleased to announce that I am proposing the full implementation of this promise, effective June 1, 1987, at a projected cost of $40 million in 1987-88.

Total Benefits from Tax Reductions
($ million)

	Full Year Cost
Ontario Property Tax Credits	85
Personal Income Tax Reduction	10
OHIP Premium Assistance	20
Sales Tax Exemption for Prepared Food	50
Mining Tax Exemption	5
Seniors' Property Tax Grants	55
Farm, Managed Forest, and Wetlands Tax Rebates	21
Total	**246**

Federal-Provincial Issues

There are two matters on the federal-provincial horizon that could affect this year's fiscal plan and, indeed, the Ontario economy. I refer to tax reform and the Canada - United States trade negotiations.

Tax Reform

On June 18, the federal government will table its proposals for tax reform. I believe the current tax system is failing the tests of fairness, simplicity and taxpayer acceptance. The proliferation of tax preferences has made the system complex, confusing, and inequitable. With the right changes, the Canadian tax system can be fairer, more competitive and less intrusive into business and personal affairs.

I would like to commend the Minister of Finance on the forthright and cooperative manner in which he has dealt with the provinces on tax reform. Since last September, provincial treasurers have met with Mr. Wilson on four occasions to exchange ideas, concerns and advice on this important issue. In those discussions, I have outlined a number of key areas for federal consideration. I would like to summarize these for Members today.

In Ontario, we are studying major changes to our social welfare system. While the review is not complete, we have already found wide variation in benefits to social assistance recipients in similar circumstances, and serious disincentives to work. Tax reform must recognize that the tax system and the social assistance system need to be harmonized. Tax reform should not preclude the introduction of a guaranteed annual income.

Fairness also requires that exemptions be clearly justifiable. I have indicated my concern to Mr. Wilson, repeatedly, that the $500,000 capital gains exemption is unfair, and leaves untaxed the profits from a number of types of transactions of dubious economic benefit to Canada. This aspect has to be attended to, if Canadians are to accept the spirit of the overall tax reform package.

I believe that improvements in simplicity and national tax harmony should also be objectives of tax reform. Members will be aware of the successful Tax Collection Agreement for the administration of personal income taxes between the provinces and the federal government. If the federal proposals to reform the federal sales tax result in a simpler and more progressive system, one which is generally acceptable, I believe the provinces should consider coordinating their sales tax structures with the federal system.

The Province of Ontario now administers its own corporate income tax. While this separate administration provides maximum flexibility, it puts added paperburden on corporate taxpayers. If the federal corporate tax reforms are fair and consistent with Ontario's economic priorities, I plan to examine the possibility of re-entering a corporate income tax collection agreement with Ottawa. However, I would consider such action only with assurances of flexibility to pursue important Provincial economic objectives through this tax.

I want to make it clear that consideration of these options will not impair the employment of any Ontario public servant associated with the current tax administration.

Federal reform will alter tax bases, rates, and the shares of taxes coming from the three largest sources of federal revenues. Because provincial tax systems are closely linked with the federal tax bases, provincial taxes will have to be amended. I believe that provinces should not undermine federal rate reductions associated with tax reform. Neither should tax reform impose added costs or revenue losses on the provinces. It is my intention to meet both objectives in designing any required adjustments.

Canada-U.S. Trade Negotiations

There is much uncertainty in the area of Canada-U.S. bilateral trade negotiations. No one can yet be sure that there will be an agreement or indeed which, of numerous possible features, will be included should an agreement be reached. It is unquestionable that Canada-U.S. trade issues are of utmost importance to our economy, our social policies and our cultural development.

Once I have greater certainty on the details of federal tax reform and the outcome of the trade negotiations, I will assess the impact on my economic forecast and fiscal plan, review our spending and tax policies, and report to the House.

Financial Services

The emergence of a global trading economy has been accompanied by a global financial market. As the links between Canadian businesses and foreign markets have grown in importance, the existence in Toronto of a vigorous and outward-looking financial services industry has been of increasing benefit to the city, the province, and the nation. The Government is taking steps to encourage new competition and growth in the securities industry, and to enhance Toronto's standing as a centre of domestic and international finance.

In addition, I intend to examine income and capital tax changes to make Ontario a more competitive location for international financial activity. This may be necessary to ensure that the financial industry makes business decisions on the basis of economic conditions rather than tax planning.

Fiscal Management

Update of 1986-87 Budget Plan

I would like to provide an update on the 1986-87 fiscal year.

Last year's revenue was $1,272 million higher than the original forecast. First, the federal revenue forecast for personal income tax turned out to be $670 million too low. Second, higher corporate profits, an exceptional housing market, stronger retail sales and other factors combined to produce additional revenue of $602 million.

Of these additional funds, $233 million was used to reduce the Provincial deficit. We provided $330 million to ease pressures on local mill rates, by reducing the level of short-term borrowing required by local school boards during the first three months of the calendar year.

A further $121 million was used to meet additional capital expenditure requirements. A total of $578 million was used to fund increased operating needs in post-secondary institutions, for health care and for social assistance.

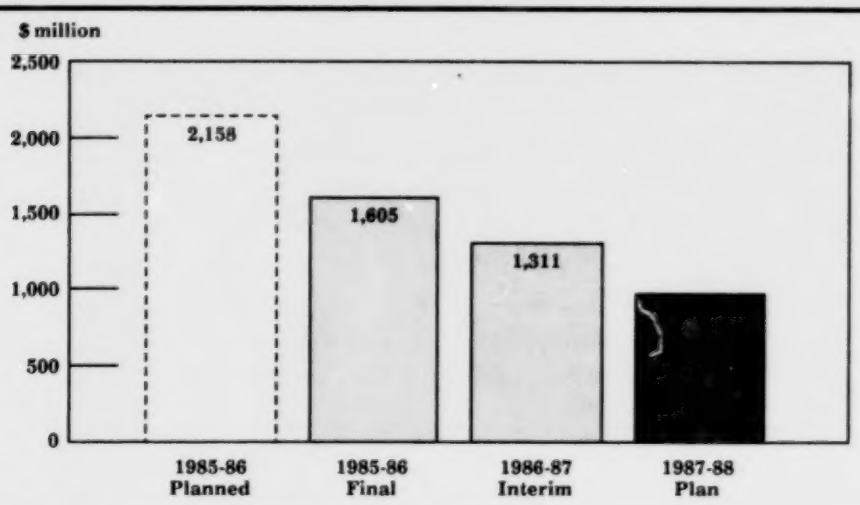
Further details are provided in Budget Paper C.

Summary of In-Year Changes
($ million)

Revenue Increase:	
Personal Income Tax	670
Corporations Tax	181
Retail Sales Tax	149
Lottery Profits	117
Land Transfer Tax	83
All other Changes (net)	72
Total	**1,272**
Application:	
Deficit Reduction	233
Reduction of short-term borrowing by School Boards	330
Capital Expenditure	121
Hospitals and other Health Care	370
Community and Social Services	124
Colleges and Universities operating requirements	84
All other Changes (net)	10
Total	**1,272**

When we took office, we faced a planned deficit of $2.2 billion for 1985-86 which we reduced to $1.6 billion. During 1986-87, the deficit was cut to $1.3 billion. I now turn to my fiscal plan for 1987-88 which, I am proud to say, includes a further reduction in the deficit to $980 million.

Reductions in Net Cash Requirements since June 1985



1987-88 Fiscal Plan

The fiscal plan I am putting forward today involves total expenditure of $34.8 billion and revenue of $33.8 billion. Projected net cash requirements stand at $980 million, a further reduction of $331 million from last year's reduced level. The Province's operating position, which deals with current revenue and current expenditure, stood at a deficit of $416 million in 1985-86. In 1987-88, this operating deficit will be reduced to $28 million, an improvement of $388 million. This means that the Province's operating account is essentially balanced.

I expect to be able to secure $350 million in reductions through expenditure savings and constraints in the current fiscal year, and I have reflected this in the overall expenditure target. Each ministry will be required to show Management Board of Cabinet where it can cut spending in areas other than transfer payments. Exceptions will be made for selected operations such as psychiatric hospitals and correctional institutions.

Fiscal Outlook
($ million)

	Interim 1986-87	Plan 1987-88	Difference	Per Cent Change
Revenue	31,220	33,866	2,646	8.5
Expenditure	32,531	34,846	2,315	7.1
Net Cash Requirements	1,311	980	(331)	

Debt Management

Ontario's total borrowing in 1986-87 was more than $300 million below the level projected in the 1986 Budget. The Province borrowed $232 million from the Canada Pension Plan (CPP) and repaid $333 million in maturing CPP debt issued in the late 1960's. As a result, Ontario's own CPP debt declined by $101 million.

Ontario's 1987-88 financing needs will be less than $1 billion. With the amounts expected to be available from the Teachers' Superannuation Fund, no CPP funds will be needed in this fiscal year for Ontario's own purposes.

We will also be repaying the final instalment of the Province's Deutschemark loans, which were undertaken in the late 1960's and early 1970's. I am pleased to report that, by the end of this year, the Province will have retired all its outstanding foreign debt.

Conclusion

I would like to sum up the 1987 Budget for the Province of Ontario.

- It cuts taxes by $246 million, primarily for the elderly and low-income people.
- It funds essential social and economic priorities in education, health, housing, child care, transportation and high technology.
- It provides important new programs for Northern and Eastern Ontario.
- It delivers needed assistance to our agriculture community.
- It reduces the deficit by $331 million.
- And, it contains no tax increases.

Budget Paper A
Details of Policy Changes

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A3: Ontario Property Tax Grants for Seniors 28

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A5: Farm Property Tax Rebates 30

Details of Policy Changes

The purpose of Appendices A1 through A5 is to provide a detailed description of certain policy changes in this Budget. These are summaries only, and the reader is advised to consult the amending legislation, where applicable, for exact information.

A1: Taxes

Income Tax Act

Ontario Tax Credits

Property Tax Credit Enrichment

- The property tax credit will be increased and calculated as the lesser of:
  - $230 or
  - occupancy cost

  plus 10 per cent of occupancy cost.

Effective: 1987 and subsequent taxation years.

Visa Student Eligibility

- Persons from other countries admitted to Canada as Visitors with Student Authorization will be eligible to claim Ontario Tax Credits, subject to the same guidelines that apply to all other claimants.

Effective: 1987 and subsequent taxation years.

Ontario Tax Reduction Enrichment

- No Ontario tax will be payable in 1988 if taxable income is $2,483 or less. Reduced Ontario tax will be payable on taxable incomes between $2,483 and $2,747.

All enquiries regarding personal income tax changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
(416) 965-4748

Corporations Tax Act

Statute-Barred Limit

The Corporations Tax Act will be amended to phase in a reduction of the statute-barred limit from six years to four years. Statute-barred limits specify the period of time during which a company's income for a taxation year can be reassessed.

Effective: for taxation years of corporations commencing after the date of Royal Assent to enabling legislation.

All enquiries regarding this change should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6
(416) 433-6513

For telephone enquiries in Toronto call (416) 965-1160, extension 6513.

Mining Tax Act

Three Year Exemption for New Mines

- An exemption from mining profits tax will be provided on the income earned from the first thirty-six months of production from new mines in Ontario.
- New mines will include mines that have never been in production before, major expansions of existing mines and mines that are re-opened after having been shut down.
- For purposes of determining income eligible for this exemption, companies will be required to identify both their income and expenses from a new mine.

- Companies will be required to deduct all non-discretionary expenses against income in the year such expenses are incurred.
- Companies will also be required to deduct the regular depreciation allowance, but will not be required to deduct the accelerated allowance for depreciation on mining assets.

Effective: for new mines commencing production after Budget day.

All enquiries regarding mining tax changes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6
(416) 433-6513

For telephone enquiries in Toronto call (416) 965-1160, extension 6513.

Retail Sales Tax Act

Exemption for Prepared Food

- The exemption level for prepared food products will be increased from $2.00 to $4.00.

Effective: June 1, 1987.

All enquiries regarding this change should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7
(416) 433-6194.

Or to the local Retail Sales Tax office listed in the blue pages of your telephone directory.

A2: The Ontario Health Insurance Plan

Premium Assistance Enrichment

- Premium assistance will be broadened as follows:

  Free Coverage

  - single persons with taxable incomes of $4,000 or less;
  - families with taxable incomes of $4,500 or less.

  75 per cent Premium Reduction

  - single persons with taxable incomes between $4,000 and $4,500;
  - families with taxable incomes between $4,500 and $5,500.

  50 per cent Premium Reduction

  - single persons with taxable incomes between $4,500 and $5,000;
  - families with taxable incomes between $5,500 and $6,000.

  25 per cent Premium Reduction

  - single persons with taxable incomes betwen $5,000 and $5,500;
  - families with taxable incomes between $6,000 and $6,500.

Effective: April, 1988 benefit month.

- Seniors and social assistance recipients will continue to be eligible for free OHIP coverage.

All enquiries regarding the Ontario Health Insurance Plan should be directed to the nearest OHIP office or to:

Membership Programs Branch
OHIP
Macdonald Cartier Building
49 Place d'Armes
P.O. Box 48
Kingston, Ontario
K7L 5J3

A3: Ontario Property Tax Grants for Seniors

- Maximum property tax grants provided through the Ontario Pensioners Property Tax Assistance Act will be increased to $600.
- Eligible seniors will receive this additional benefit with the Fall 1987 grant payments.

Effective: 1987 and subsequent years.

All enquiries regarding this change should be directed to:

Guaranteed Income and Tax Credit Branch
Ministry of Revenue
5th Floor, 33 King Street West
Oshawa, Ontario
L1H 8H8

Call Toll-Free:
965-8470 (Toronto)
1-800-263-3792 (area code 807)
1-800-263-3960 (all other areas)

A4: Small Business Development Corporations

The definition of an eligible small business will be further expanded to include additional services to business such as:

- Employment Agencies and Personnel Suppliers;
- Accounting and Bookkeeping Services;
- Advertising Services;
- Management Consulting Services;
- Security and Investigation Services;
- Credit Bureau Services;
- Collection Agencies; and
- Customs Brokers.

Effective: upon filing of the Regulations.

All enquiries regarding SBDC changes should be directed to:

SBDC Program
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9
(416) 433-6332

For telephone enquiries in Toronto call (416) 965-1160, extension 6332.

A5: Farm Property Tax Rebates

- The farm property tax rebate will increase from the current 60 per cent of property taxes assessed, to 100 per cent. The rebate will now apply to farm land and outbuildings only.
- Farm residences and associated structures, such as garages, will be assessed separately from the farm land and will no longer be eligible for the rebate. The value of one acre of the highest class of farm land on the farm will be added to the farm residence as a site value.
- The overall taxable assessment on the property will remain unchanged, as both components will continue to be assessed as farm property.
- The requirement that 60 per cent of the property taxes be paid before becoming eligible to receive the rebate will be eliminated.
- Beginning with the 1988 taxation year, the farm tax rebate will be paid in two instalments. The first instalment will be paid in the spring, based on the previous year's taxes. The final instalment will be paid in the fall, reconciled to the current year's taxes.

All other eligibility requirements, including the minimum gross production criteria, will remain unchanged.

The Managed Forest Tax Reduction Grants program will also be revised, with the tax rebate increasing from 60 per cent to 100 per cent, beginning with the 1987 taxation year. There will be a maximum rebate of $25,000 per owner. All other aspects of the program remain unchanged. In addition, wetlands and areas of natural and scientific interest will become eligible for a similar rebate of property taxes.

Effective: 1987 and subsequent taxation years.

All enquiries regarding farm property tax rebates should be directed to:

Farm Assistance Programs Branch
Ministry of Agriculture and Food
10th Floor, 801 Bay Street
Toronto, Ontario
M7A 2B2
(416) 963-2404

Budget Paper B
Economic Outlook

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- Employment 40
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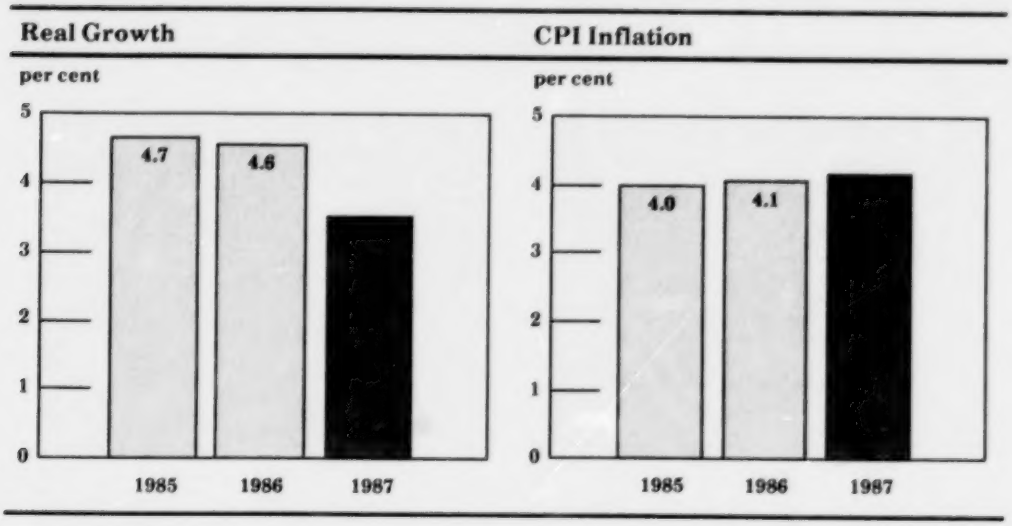
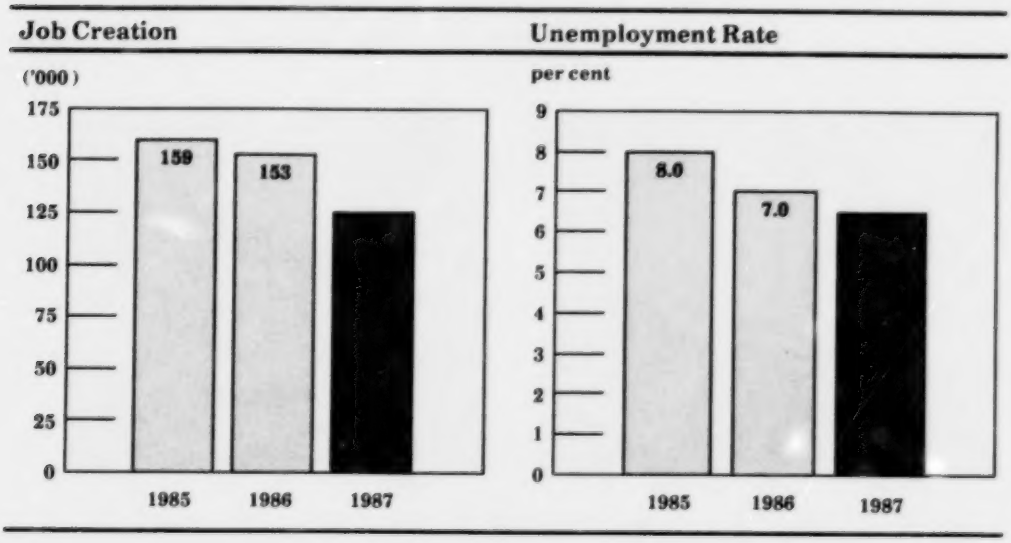
Ontario Outlook: 1987 Highlights

- Ontario's real Gross Provincial Product is forecast to increase by 3.5 per cent in 1987. This follows an increase of 4.6 per cent in 1986.



- Consumer price inflation is expected to remain moderate at 4.2 per cent in 1987.



- Job creation will average 125,000 in 1987.
- The provincial unemployment rate is expected to average 6.5 per cent in 1987 compared to a 7.0 per cent average in 1986.

Key Factors

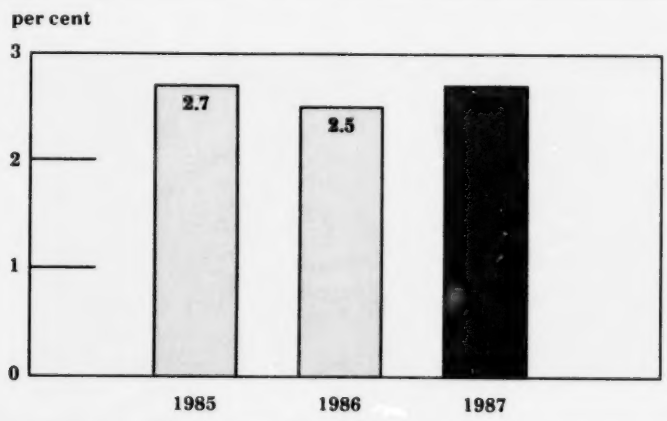
The forecast is shaped by a number of key economic variables. Ontario's economic performance is highly sensitive to economic activity in the United States, the rest of Canada and other major industrial countries. For example, foreign exports represent 38 per cent of Ontario's Gross Provincial Product. Close to 90 per cent of these go to the United States. Similarly, interest rate, exchange rate and oil price changes can have appreciable effects on the economy. The next sections review forecasts for these key factors.

International Economic Environment

Economic growth in most of the world's industrial countries has been sluggish, to a large extent reflecting global trade imbalances. Growth in the export-led economies of Japan and West Germany has slowed significantly. Higher currency values have adversely affected their competitiveness, curtailing export volumes. At the same time, the U.S. economy remains sluggish, still hampered by an enormous trade deficit.

- The U.S. continues to run massive trade deficits with Japan and West Germany despite a substantially depreciated U.S. dollar. Nonetheless, a modest improvement in the real trade deficit is expected in 1987.
- The U.S. economy is forecast to continue to grow at a moderate rate in 1987, with real GNP increasing by 2.7 per cent, following a 2.5 per cent advance in 1986.

U.S. Real Growth
1985 to 1987



The Rest of Canada

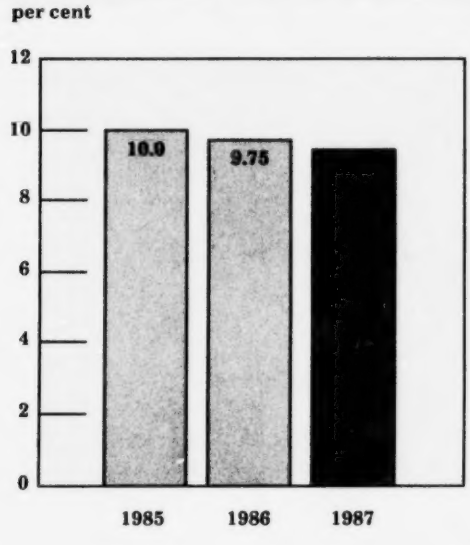
- Ontario's nearest provincial trading partners, Quebec and Manitoba, expect relatively good growth.
- Growth will remain sluggish in the more resource-dependent provincial economies. However, the stabilization of oil prices and recent federal and provincial incentives should halt the sharp decline in capital spending in the energy sector which occurred last year.

The Exchange Rate and Financial Markets

Domestic interest rates will remain sensitive to the performance of the Canadian dollar in foreign exchange markets.

- After falling to historic lows against its U.S. counterpart in February 1986, the Canadian dollar recovered and, earlier this year, rose sharply, reaching a high of 76.9 cents (U.S.) in April. It has subsequently retreated from this level. Over the balance of the year, the dollar is forecast to trade in the 74 - 75 cent (U.S.) range.
- The Bank of Canada has acted aggressively to moderate the decline of the exchange rate from its April peak. As the exchange rate stabilizes, current upward pressure on interest rates will moderate and they are forecast to remain near present levels for the remainder of 1987.

Prime Rate (Year-End Close)



Exchange Rate

Oil Prices

- Each dollar increase per barrel on the international price adds $240 million to Ontario's oil bill. In 1986, Ontario spent an estimated $4.0 billion on oil. This compares to $6.7 billion in 1985.
- World oil prices are assumed to remain near $18 U.S. per barrel over the course of 1987.

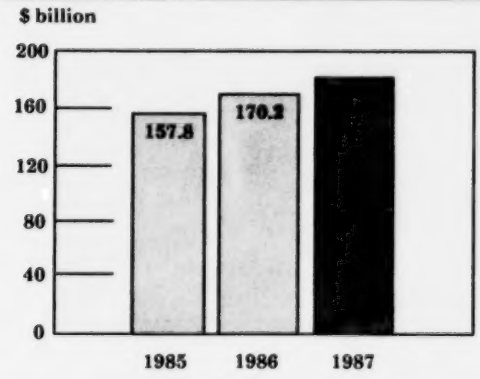
The Outlook in Detail

Consumer Demand

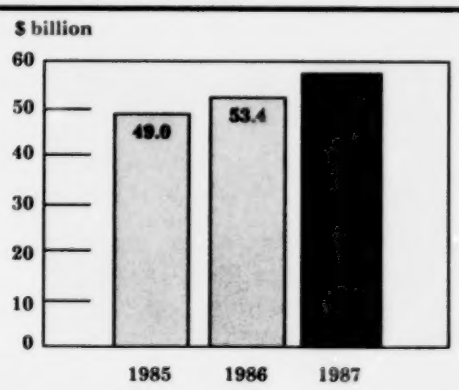
The consumer will remain a source of strength in the Ontario economy. In 1987, retail sales are projected to increase by 7.5 per cent, supported by continued personal income growth and further reductions in the personal savings rate reflecting a high level of consumer confidence.

- Personal income is expected to grow by 7.1 per cent.
- Sales of housing-related consumer durables, such as furniture and appliances, are expected to remain buoyant in 1987 in response to continued strong housing market activity.

Ontario Personal Income



Ontario Retail Sales

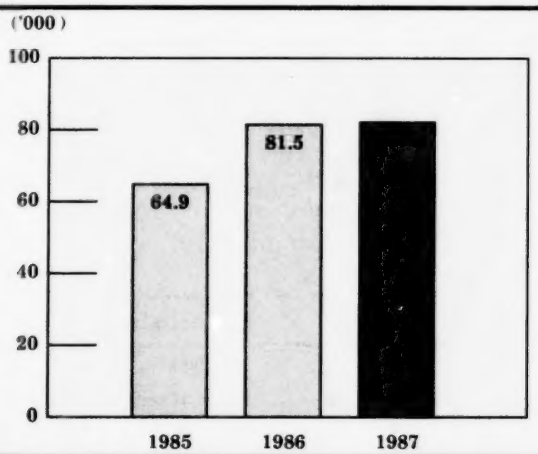


Housing

Ontario housing starts climbed to 81,500 in 1986, the highest level since 1976. The surge in housing activity was sparked by significant declines in short and long-term mortgage rates and reinforced by strong pent-up demand. Relatively stable interest rates and high household and family formation rates will sustain a high level of activity in this sector. Ontario housing starts are forecast to reach 82,000 in 1987.

The value of residential construction is expected to exceed $16 billion in 1987.

Housing Starts in Ontario
1985 to 1987

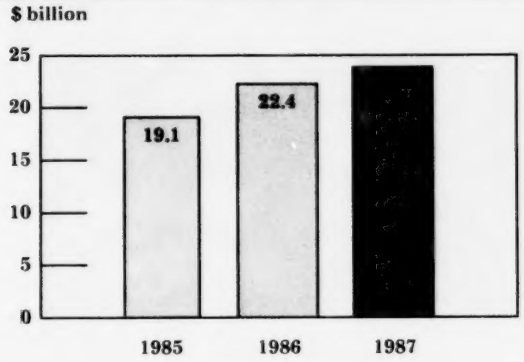


Business Investment

Business investment was a major contributor to economic growth in 1986. Led by capital spending on new production facilities in the auto industry, investment grew by 16.9 per cent, reaching over $22 billion. A further $24 billion in capital spending is forecast in 1987; of this, $15.5 billion is slated for outlays on machinery and equipment and $8.5 billion on non-residential construction.

- The projected increase in capital spending is expected to be more evenly distributed across different sectors of the economy than in recent years. While spending will remain robust in the manufacturing sector, significant investment increases are planned for mining, forestry, retail trade, utilities, finance and commercial services.
- A recent survey of business investment plans for 1987 indicated that capital spending will reach $7.9 billion in manufacturing, $6.1 billion in transportation, communication and utilities, $8.2 billion in other service sector industries and $1.4 billion in primary products industries.

Business Non-Residential Investment in Ontario
1985 to 1987

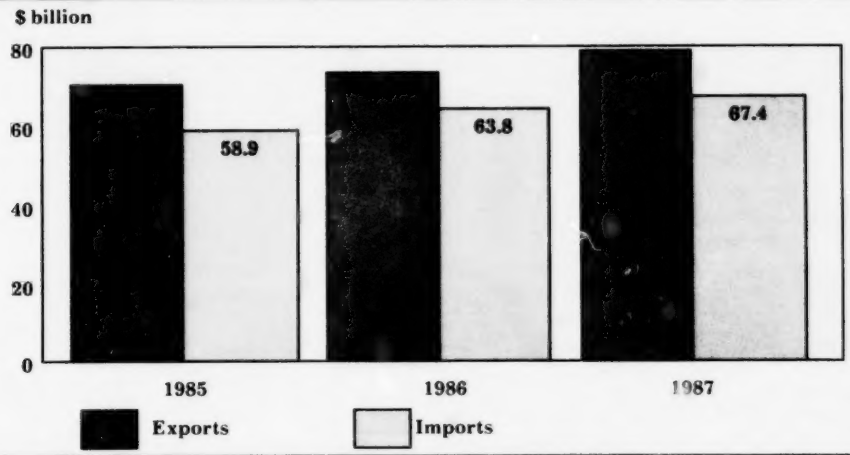


Trade

The trade balance will improve moderately during 1987.

- Ontario exports are expected to grow by 5.8 per cent in 1987, in comparison to 4.9 per cent in 1986.
- The growth of imports is forecast to moderate to 5.6 per cent in 1987, down from 8.2 per cent in the previous year.

Ontario Trade
1985 to 1987



Employment and Prices

Employment

An additional 125,000 new jobs are expected to be created in Ontario this year. Continued growth in employment will lead to a further decline in the provincial unemployment rate.

- Employment in 1987 is forecast to average 4,680,000 persons.
- The labour force will grow by 108,000 persons, surpassing the five million level.
- Despite relatively rapid labour force growth, the provincial unemployment rate is expected to drop from an average 7.0 per cent in 1986 to 6.5 per cent in 1987.

This year's expected increase in employment will bring the total gain in jobs over the three years 1985-87 to 437,000.

Prices

- Inflation remained subdued in 1986 as the Consumer Price Index rose by 4.1 per cent. Goods prices rose by 3.3 per cent, while consumer price inflation in the service sector was 5.1 per cent.
- Price increases are expected to continue at a moderate pace in 1987, with a 4.2 per cent increase in the Consumer Price Index.
- The strength of the Canadian dollar relative to last year will dampen import prices. Its most visible effect will be on food prices which are expected to increase at a slower rate than in 1986. This will be partially offset by more rapid increases in the housing and transportation components of the Consumer Price Index.

The Ontario Economy
1985 to 1987

Table 1

	1985	1986	1987	85/84	86/85	87/86
	$ Billion			Per Cent		
Total Output						
Gross Provincial Product	179.9	194.6	209.0	8.2	8.2	7.4
GPP (Constant 1981 dollars)	147.0	153.7	159.1	4.7	4.6	3.5
Investment						
Machinery and Equipment	12.2	14.4	15.5	16.8	18.3	7.3
Non-Residential Construction	7.0	8.0	8.5	12.6	14.5	6.9
Residential Construction	10.5	13.5	16.0	23.6	28.9	18.6
Other Components of Demand						
Housing Starts ('000)	64.9	81.5	82.0	–	–	–
Retail Sales	49.0	53.4	57.4	12.7	9.0	7.5
Exports	70.5	73.9	78.2	9.4	4.9	5.8
Imports	58.9	63.8	67.4	12.6	8.2	5.6
Income						
Personal Income	157.8	170.2	182.3	8.1	7.8	7.1
Corporate Profits (before taxes)	16.3	17.4	18.9	8.2	6.7	8.9
Prices						
Consumer Price Index	–	–	–	4.0	4.1	4.2
Jobs						
Labour Force ('000)	4,787	4,897	5,005	2.6	2.3	2.2
Employment ('000)	4,402	4,555	4,680	3.7	3.5	2.7
Unemployment Rate (% of labour force)	8.0	7.0	6.5	–	–	–

Source: Ontario Treasury.

Budget Paper C
Fiscal Review and Outlook

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1986-87 Budget Update

As shown in Table 1, Provincial net cash requirements for 1986-87 were $1,311 million or $233 million lower than the original budget plan. Consistent with the budget plan, net cash requirements were financed from non-public borrowing sources.

1986-87 Budget Update Table 1
($ million)

	Budget Plan	Interim	In-Year Change
Revenue	29,948	31,220	1,272
Expenditure	31,492	32,531	1,039
Net Cash Requirements	1,544	1,311	(233)

1986-87 Operating Position

During the year, the planned operating deficit of $377 million was reduced by $198 million to $179 million.

1986-87 Operating Position Table 2
($ million)

	Budget Plan	Interim	In-Year Change
Current Revenue	28,454	29,569	1,115
Current Expenditure	28,831	29,748	917
Operating Position (Deficit)	(377)	(179)	198

1986-87 Revenue

Interim results indicate that total revenue received during 1986-87 amounted to $31,220 million, or $1,272 million above the 1986 Budget estimate.

The federal forecast for Ontario's Personal Income Tax (PIT) revenue turned out to be $670 million too low. In-year adjustments to the PIT included payment for prior years' assessments of $152 million for the 1984 tax year and $301 million for the 1985 tax year. These adjustments also resulted in an upward revision of $217 million in the federal payments in respect of Ontario's 1986 tax year.

Corporations Tax revenue was $181 million higher than forecast. A generally healthy corporate profit performance and a continuing decrease in prior-year losses, available to corporations for tax reduction purposes, accounted for the $631 million year-over-year increase.

Other major tax yield changes included a $149 million increase in Retail Sales Tax revenue reflecting stronger-than-expected growth in consumer spending on taxable goods and services and an $83 million improvement in Land Transfer Tax revenue, as a result of record sales in the housing market.

Tobacco Tax revenue in 1986-87 totalled $611 million, an increase of $21 million over the forecast, reflecting a smaller-than-anticipated decline in consumption. Mining Profits Tax receipts increased by $66 million to $121 million in 1986-87. These receipts included $85 million in assessment of prior years' returns not provided for in the budget forecast.

Taxation revenue increases were partly offset by a $28 million decline in Gasoline Tax revenue due to slower-than-anticipated consumption growth. A $31 million reduction in the estimate of Public Utilities Income Tax revenue relates to transfers in respect of the 1984 tax year and claims under the federal government's Scientific Research Tax Credit program.

Non-taxation revenue sources increased $166 million from the 1986-87 budget estimate. The $117 million gain in lottery profits is the result of strong growth in Lotto 6/49 sales. Interest on loans and investments was $52 million higher than anticipated.

Non-taxation revenue increases were partly offset by a decrease of $50 million in Liquor Control Board of Ontario profits as a result of lower-than-anticipated sales of wines and spirits. Proceeds from sales and rentals of property, supplies and equipment, and from fees, licences and permits yielded $10 million and $17 million less than anticipated respectively.

Payments from the federal government showed a net decrease of $175 million from the original estimate. An in-year decrease of $168 million for federal payments under Established Programs Financing was related to the upward revision in PIT revenue described earlier. Federal payments under the Canada Assistance Plan increased by $33 million as a result of the higher level of social assistance expenditures by the Province.

Deposits into Trust Accounts totalled $1,273 million in 1986-87, an increase of $126 million. All of the increase is attributable to increased deposits with the Province of Ontario Savings Office, reflecting the popularity of the new Trillium Account.

Repayments of Loans was $378 million in 1986-87, reflecting the impact of the divestment strategy undertaken by the Government in the 1985 Budget.

Summary of In-Year Revenue Changes in 1986-87 — Table 3

($ million)

Major Taxation and Other Revenue Changes		
Personal Income Tax	670	
Corporations Tax	181	
Retail Sales Tax	149	
Lottery Profits	117	
Land Transfer Tax	83	
Sub-Total		1,200
Other Taxes		
Gasoline Tax	(28)	
Tobacco Tax	21	
Public Utilities Income Tax	(31)	
Mining Profits Tax	66	
Other	13	
Sub-Total		41
Other Revenue		
OHIP Premiums	17	
LCBO Profits	(50)	
Interest on Investments	52	
Vehicle Registration Fees	8	
Other Fees and Licences	(17)	
Utility Service Charges	(4)	
Sales and Rentals	(10)	
Other	53	
Sub-Total		49
Payments from the Federal Government		
Established Programs Financing	(168)	
Extended Health Care	(2)	
Canada Assistance Plan	33	
Other	(38)	
Sub-Total		(175)
Non-Budgetary Revenue		
Public Service Superannuation Fund	(11)	
Province of Ontario Savings Office	159	
Other Deposits	(22)	
Repayments of Loans	31	
Sub-Total		157
Total		**1,272**

1986-87 Expenditure

Interim results indicate that total expenditure for 1986-87 amounted to $32,531 million, or $1,039 million above the 1986 budget plan.

Summary of In-Year Expenditure Changes in 1986-87 Table 4
($ million)

Reduction of Short-term Borrowing Requirements by School Boards	330
Capital Expenditure	121
Health	370
Community and Social Services	124
Colleges and Universities	84
Natural Resources	38
Agriculture and Food	35
Citizenship and Culture	22
Public Debt Interest	(34)
Skills Development	(56)
Technology Fund	(98)
Other Changes (net)	103
Total	**1,039**

Two initiatives combined to reduce school boards' short-term borrowing requirements by $330 million. First, the cash flow advance on General Legislative Grants was increased by $165 million to bring the level of payments from seven per cent to 12 per cent of 1987 grant entitlements. Second, the amount held back on 1986 entitlements pending verification of financial statements was reduced from seven per cent to two per cent, flowing an additional $165 million to school boards.

Capital expenditures were increased by $121 million, of which $90 million was for hospital construction and medical equipment and $26 million for school capital.

The Ministry of Health required an additional $370 million to meet current expenditure needs. The Ontario Health Insurance Plan and the Drug Benefit Plan required a further $181 million, hospitals received $84 million more, while an extra $40 million and $35 million was to fund increased medical research and home care services respectively.

Of the $124 million increase for the Ministry of Community and Social Services, $100 million was needed to accommodate social assistance caseload and rate increases.

The Ministry of Colleges and Universities received an additional $84 million, primarily to provide for the workload settlement in the Colleges of Applied Arts and Technology and the endowment of a multi-disciplinary department of geriatrics and gerontology at McMaster University.

The increase of $38 million for the Ministry of Natural Resources included $15 million for fighting forest fires in Northern Ontario and $9 million for increased aerial spraying activities.

The Ministry of Agriculture and Food needed $35 million more, primarily for support payments to farmers under the Farm Income Stabilization program.

The extra $22 million for the Ministry of Citizenship and Culture was for increased financial support to cultural agencies.

1987-88 Fiscal Plan

The fiscal plan for 1987-88 reduces net cash requirements to $980 million, a $331 million decrease from the previous year. The fiscal plan continues the downward trend in net cash requirements as a percentage of total Government spending from 4.0 per cent last year to 2.8 per cent this year.

Fiscal Outlook Table 5
($ million)

	Interim 1986-87	Budget Plan 1987-88	Difference	Per Cent Change
Revenue	31,220	33,866	2,646	8.5
Expenditure	32,531	34,846	2,315	7.1
Net Cash Requirements	1,311	980	(331)	

Revenue is projected to increase by 8.5 per cent this fiscal year, reflecting Ontario's continuing strong economic performance.

Included in the PIT forecast is an amount related to the federal government's 1987 budget initiative to accelerate the remittances of personal income tax withholdings by large employers.

Expenditure growth is estimated at 7.1 per cent. This increase incorporates the new budget measures and initiatives outlined in the Throne Speech, the major transfer payment levels for 1987-88 announced last autumn, in addition to necessary provisions for inflation, and utilization increases.

As shown in Table C1, 1987-88 net cash requirements of $980 million will be financed by borrowing from the Teachers' Superannuation Fund. Liquid reserves will increase by $12 million.

1987-88 Operating Position

The planned operating position reflects the progress the Government has made in paying for day-to-day operating needs from current revenue. The revenue position shown in Table 6 does not include the one-time cash flow increase associated with the federal acceleration of personal income tax transfers.

Table 6 illustrates that the operating deficit will be reduced by $151 million in 1987-88.

Provincial Operating Position Table 6
($ million)

	Interim 1986-87	Budget Plan 1987-88	Difference
Current Revenue	29,569	31,743	2,174
Current Expenditure	29,748	31,771	2,023
Operating Position (Deficit)	(179)	(28)	151

1987-88 Capital Investments

Table 7 details total spending by ministry from 1985-86 including the planned capital expenditure for 1987-88.

Total Spending by Ministry, 1985-86 to 1987-88[3] Table 7
($ million)

			1987-88 Budget Plan		
	1985-86	Interim 1986-87	Total	Other	Capital
Agriculture and Food	402	475	563	493	70
Attorney General	286	324	357	356	1
Office Responsible for Women's Issues	10	8	18	18	–
Office Responsible for Native Affairs	1	4	4	4	–
Citizenship and Culture	214	272	251	214	37
Colleges and Universities	1,956	2,253	2,400	2,300	100
Community and Social Services	2,859	3,272	3,636	3,551	85
Consumer and Commercial Relations	101	113	131	131	–
Correctional Services	296	342	380	380	–
Education[4]	3,737	4,379	4,382	4,235	147
Energy	58	41	45	30	15
Environment	325	359	418	264	154
Financial Institutions	31	28	39	39	–
Government Services	447	468	525	418	107
Office for Disabled Persons	1	5	7	5	2
Office Responsible for Senior Citizens Affairs	2	3	9	6	3
Health	9,242	10,481	11,271	11,050	221
Housing	226	282	378	256	122
Industry, Trade and Technology	138	230	263	144	119
Intergovernmental Affairs	8	7	8	8	–
Labour	78	96	120	120	–
Legislative and Executive Offices	8	9	12	12	–
Management Board	19	24	35	35	–
Municipal Affairs	870	900	936	906	30
Natural Resources	445	530	549	505	44
Northern Development and Mines	176	222	275	102	173
Revenue	684	702	794	794	–
Skills Development	392	403	455	455	–
Solicitor General	340	368	412	394	18
Tourism and Recreation	160	172	188	138	50
Transportation and Communications	1,602	1,766	1,904	642	1,262
Treasury and Economics	28	26	29	29	–
Economic Development Projects	2	49	69	34	35
Technology Fund	–	2	100	100	–
Pensions	256	289	331	331	–
BILD	275	–	–	–	–
Public Debt Interest	3,250	3,541	3,820	3,820	–
Board of Internal Economy	84	86	82	82	–
Restatement Adjustments	288	–	–	–	–
Expenditure Savings and Constraints	–	–	(350)	(275)	(75)
Total Outflows[1]	**29,297**	**32,531**	**34,846**	**32,126**	**2,720**
Extraordinary Adjustments	3,671	–	–	–	–
Total Outflows	**32,968**	**32,531**	**34,846**	**32,126**	**2,720**

See page 70 for accompanying notes

Borrowing and Debt Management

Borrowing in 1986-87 was reduced by more than 20 per cent from the level projected in the 1986 Budget. Borrowing from the Canada Pension Plan (CPP) was reduced from a projected level of $600 million to $232 million. In addition, $333 million of CPP debt matured and was repaid. As a result, Ontario's own CPP debt declined by $101 million.

Of the $1.2 billion available from CPP, Ontario Hydro borrowed $119 million. The remainder was borrowed by the federal government, as required by the terms of the CPP Act.

With net financing requirements projected below $1 billion in 1987-88, the Province's needs can be met through the Teachers' Superannuation Fund. Ontario's CPP debt is projected to decline by a further $376 million due to additional CPP maturities to be repaid. The final serial maturity of a Deutschemark obligation, the Province's only foreign currency debt, will also be repaid.

Due to a combination of reduced borrowing and lower interest rates, growth in public debt interest has moderated. Interest rates on Ontario's treasury bills have declined from more than 10 per cent at the end of 1985-86 to their current level of about 8.25 per cent. As a result, interest costs in 1987-88 will require a declining portion of budgetary revenue for the second consecutive year. Public debt interest in 1987-88 is projected to require 11.8 per cent of budgetary revenue, down from 12 per cent in 1986-87 and 12.4 per cent in 1985-86.

Ontario Public Service Staffing Levels

Table 8 presents the average monthly staffing levels for the past five years.

Ontario Public Service Staffing, 1982-83 to 1986-87 Table 8

Year	12-Month Average
1982-83	85,977
1983-84	84,908
1984-85	84,566
1985-86	85,290
1986-87	87,235

The average number of Provincial public servants increased by 1,945 during 1986-87, primarily as a result of the implementation of the Young Offenders Act and a number of other programs, including enhancement of occupational health and safety, skills development and psychiatric services programs. Included in the increase is the impact of the conversion of 700 part-time employees to the classified staff, as a result of the adoption of a new policy on the appointment of regular part-time employees.

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Statement of Provincial Net Cash Requirements and Related Financing

Table C1

($ million)

	1985-86	Interim 1986-87	Budget Plan 1987-88
Budgetary Transactions			
Revenue	26,240	29,569	32,278
Expenditure	28,855	32,141	34,346
Budgetary Deficit[1]	2,615	2,572	2,068
Extraordinary Adjustments: Expenditure	3,671	–	–
Budgetary Deficit	6,286	2,572	2,068
Non-Budgetary Transactions (net)			
Trust Accounts	762	969	949
Loans and Investments	248	292	139
Non-Budgetary Contribution[1]	1,010	1,261	1,088
Extraordinary Adjustments: Revenue	3,166	–	–
Non-Budgetary Contribution	4,176	1,261	1,088
Net Cash Requirements[1]	**1,605**	**1,311**	**980**
Net Cash Requirements	**2,110**	**1,311**	**980**
Financing			
Non-Public Borrowing			
Canada Pension Plan	1,214	232	–
Teachers' Superannuation Fund	1,235	1,310	1,625
Retirements	(20)	(343)	(561)
Net Non-Public Borrowing	2,429	1,199	1,064
Public Borrowing			
Treasury Bills/Debenture Issues	–	–	–
Retirements	(327)	(6)	(72)
Net Public Borrowing	(327)	(6)	(72)
Change in Liquid Reserves	(8)	(118)	12
Total Financing	**2,110**	**1,311**	**980**

See page 70 for accompanying notes.

Revenue Inflows

Table C2

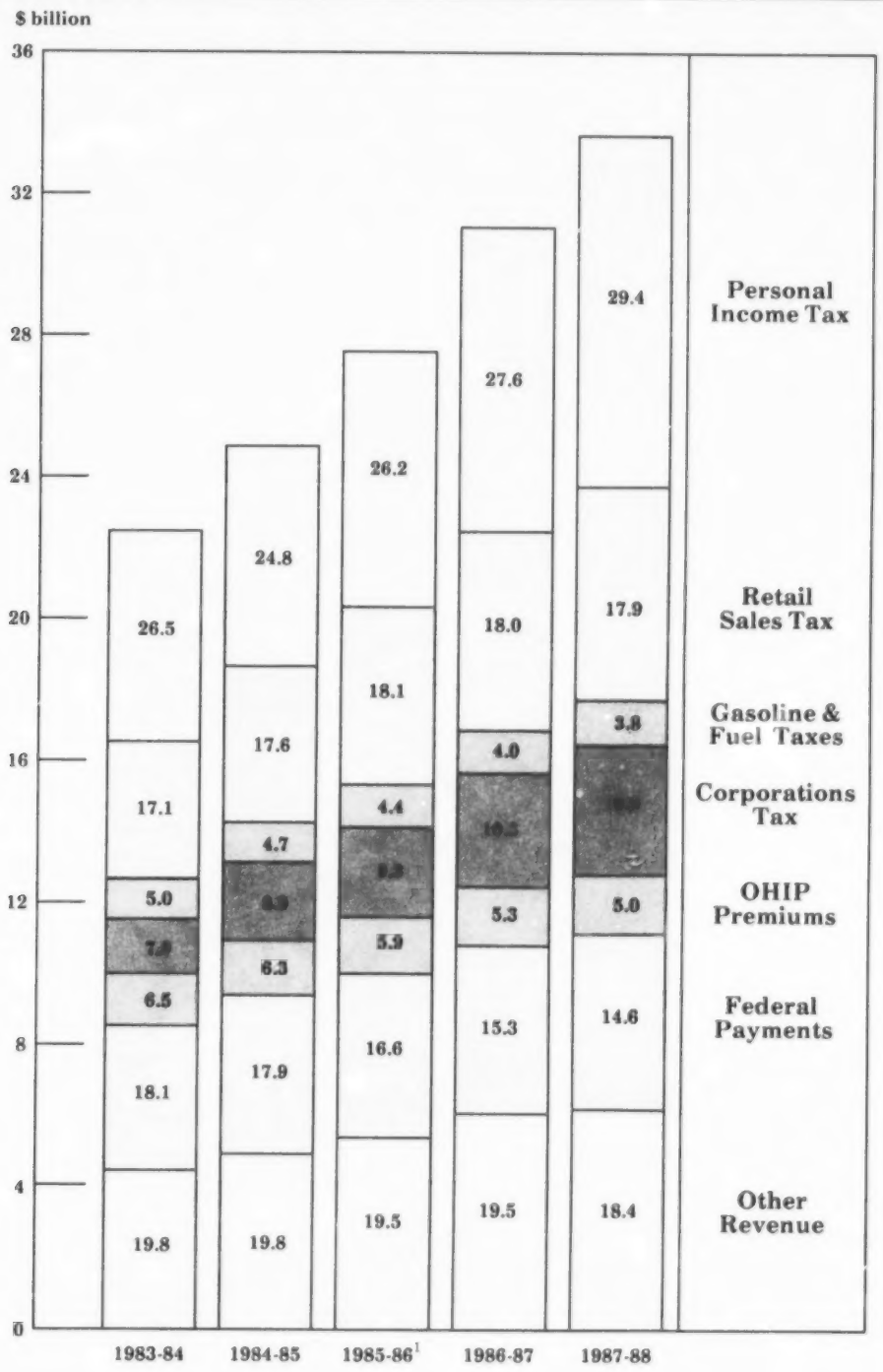
($ million)

	1985-86	Interim 1986-87	Budget Plan 1987-88
Taxation Revenue			
Personal Income Tax[2]	7,249	8,618	9,959
Retail Sales Tax	5,025	5,600	6,060
Reciprocal Taxation	82	93	81
Corporations Tax	2,575	3,206	3,700
Mining Profits Tax	55	121	50
Gasoline Tax	977	989	1,000
Fuel Tax	242	266	280
Tobacco Tax	603	611	630
Land Transfer Tax	205	353	450
Race Tracks Tax	64	71	75
Public Utilities Income Tax	56	14	45
Other Taxation	11	13	13
	17,144	19,955	22,343
Other Revenue			
OHIP Premiums	1,622	1,670	1,687
LCBO Profits	638	645	670
Vehicle Registration Fees	401	483	498
LLBO Fees, Licences and Permits	275	318	328
Other Fees and Licences	207	221	280
Lottery Profits	317	463	500
Interest on Investments	455	325	300
Royalties	164	170	170
Utility Service Charges	126	126	135
Sales and Rentals	73	90	100
Fines and Penalties	87	95	100
Miscellaneous	131	223	220
	4,496	4,829	4,988
Payments from the Federal Government			
Established Programs Financing	2,752	2,813	2,790
Extended Health Care Services	385	407	433
Canada Assistance Plan	1,045	1,123	1,240
National Training Act	171	151	127
Bilingualism Development	48	52	55
Young Offenders	43	38	47
Vocational Rehabilitation	32	31	35
Other	124	170	220
	4,600	4,785	4,947
Total Budgetary Revenue	**26,240**	**29,569**	**32,278**
Non-Budgetary Transactions (C4 and C5)	1,452	1,651	1,588
Total Inflows[1]	**27,692**	**31,220**	**33,866**
Extraordinary Adjustments	3,166	–	–
Total Inflows	**30,858**	**31,220**	**33,866**

See page 70 for accompanying notes.

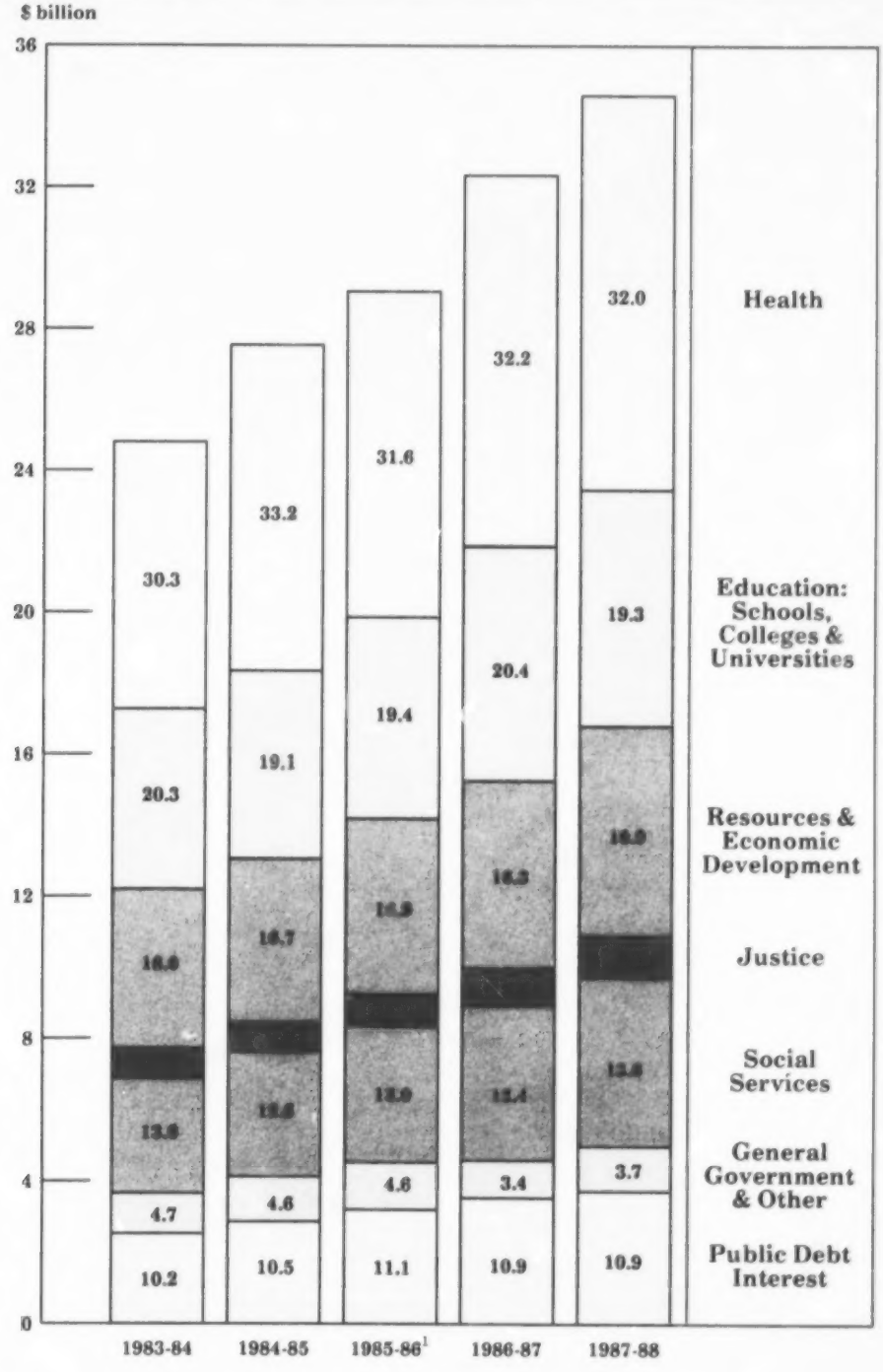
Major Revenue Sources: Per Cent of Total 1983-84 to 1987-88

Chart C1



See page 70 for accompanying notes.

Expenditure Functions[2]: Per Cent of Total 1983-84 to 1987-88 — Chart C2



See page 70 for accompanying notes.

Expenditure Outflows[3]

Table C3

($ million)

Ministry	1985-86	Interim 1986-87	Budget Plan 1987-88
Agriculture and Food	370	445	493
Attorney General	286	322	356
Office Responsible for Women's Issues	10	8	18
Office Responsible for Native Affairs	1	4	4
Citizenship and Culture	184	212	214
Colleges and Universities	1,928	2,154	2,300
Community and Social Services	2,826	3,198	3,551
Consumer and Commercial Relations	100	113	130
Correctional Services	296	337	380
Education[4]	3,637	4,245	4,235
Energy	28	27	30
Environment	199	252	264
Financial Institutions	24	21	30
Government Services	346	386	418
Office for Disabled Persons	1	5	5
Office Responsible for Senior Citizens Affairs	2	3	6
Health	8,966	10,228	11,050
Housing	163	208	256
Industry, Trade and Technology	82	116	133
Intergovernmental Affairs	8	7	8
Labour	78	96	120
Legislative and Executive Offices	8	9	12
Management Board	19	24	35
Capital Account	2,199	2,393	2,575
Municipal Affairs	793	859	906
Natural Resources	397	477	504
Northern Development and Mines	71	83	102
Revenue	684	702	794
Skills Development	381	400	455
Solicitor General	340	362	394
Tourism and Recreation	108	124	138
Transportation and Communications	587	633	642
Treasury and Economics	27	25	27
Economic Development Projects	–	34	34
Technology Fund	–	2	100
BILD	87	–	–
Public Debt Interest	3,250	3,541	3,820
Board of Internal Economy	84	86	82
Restatement Adjustments	285	–	–
Expenditure Savings and Constraints[11]	–	–	(275)
Total Budgetary Expenditure	**28,855**	**32,141**	**34,346**
Non-Budgetary Transactions (C4 and C5)	442	390	500
Total Ouflows[1]	**29,297**	**32,531**	**34,846**
Extraordinary Adjustments	3,671	–	–
Total Outflows	**32,968**	**32,531**	**34,846**

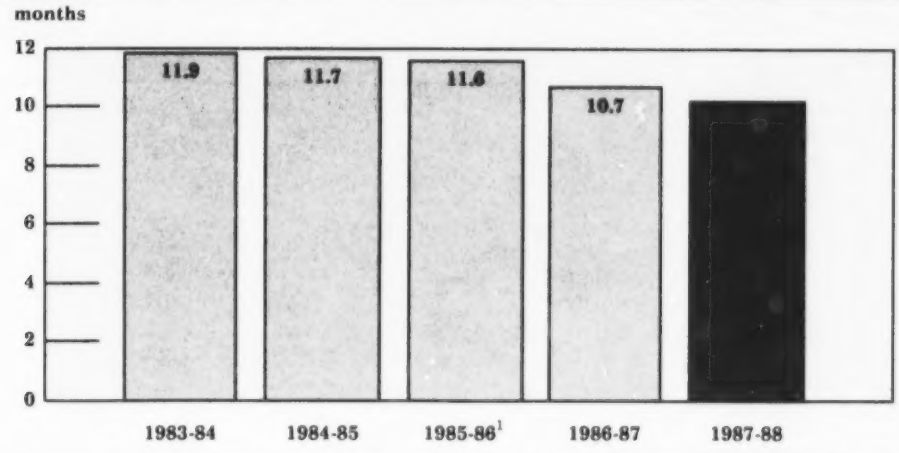
See page 70 for accompanying notes.

Expenditure Outflows[2] Table C3A
Budgetary and Non-Budgetary Accounts Combined
($ million)

Ministry	1985-86	Interim 1986-87	Budget Plan 1987-88
Agriculture and Food	371	445	493
Attorney General	286	322	356
Office Responsible for Women's Issues	10	8	18
Office Responsible for Native Affairs	1	4	4
Citizenship and Culture	184	212	214
Colleges and Universities	1,928	2,155	2,300
Community and Social Services	2,826	3,198	3,551
Consumer and Commercial Relations	100	113	131
Correctional Services	296	337	380
Education[4]	3,637	4,245	4,235
Energy	29	27	30
Environment	201	254	264
Financial Institutions	31	28	39
Government Services	346	389	418
Office for Disabled Persons	1	5	5
Office Responsible for Senior Citizens Affairs	2	3	6
Health	8,966	10,228	11,050
Housing	163	208	256
Industry, Trade and Technology	82	116	144
Intergovernmental Affairs	8	7	8
Labour	78	96	120
Legislative and Executive Offices	8	9	12
Management Board	19	24	35
Capital Account	2,353	2,469	2,720
Municipal Affairs	812	860	906
Natural Resources	398	478	505
Northern Development and Mines	71	86	102
Revenue	684	702	794
Skills Development	381	400	455
Solicitor General	340	362	394
Tourism and Recreation	108	130	138
Transportation and Communications	587	633	642
Treasury and Economics	28	26	29
Economic Development Projects	–	34	34
Technology Fund	–	2	100
Pensions	256	289	331
BILD	87	–	–
Public Debt Interest	3,250	3,541	3,820
Board of Internal Economy	84	86	82
Restatement Adjustments	285	–	–
Expenditure Savings and Constraints[11]	–	–	(275)
Total Outflows[1]	**29,297**	**32,531**	**34,846**
Extraordinary Adjustments	3,671	–	–
Total Outflows	**32,968**	**32,531**	**34,846**

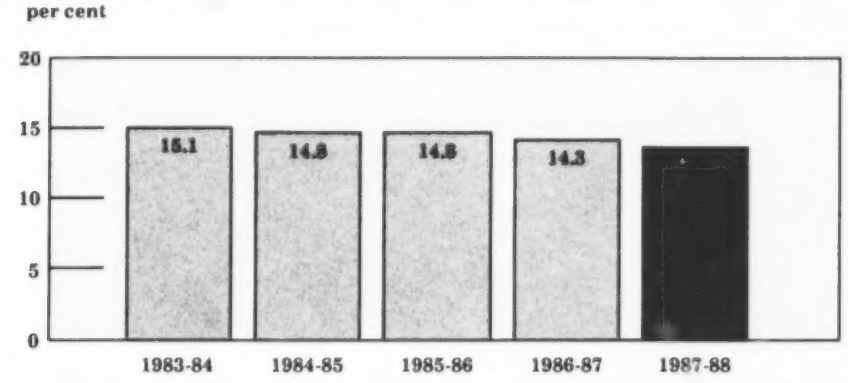
See page 70 for accompanying notes.

Months of Revenue Required to Repay Funded Debt: 1983-84 to 1987-88 — Chart C3

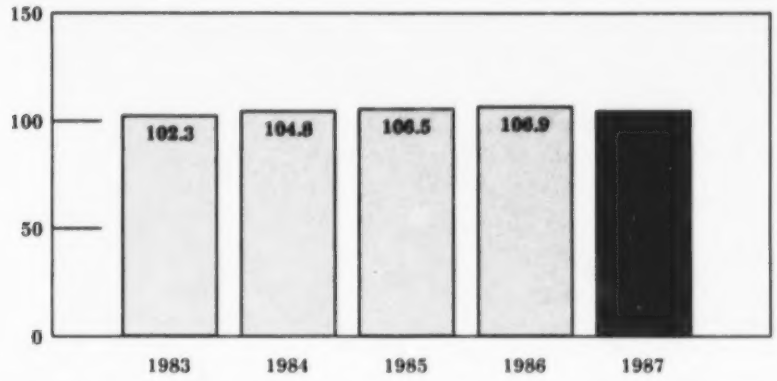


See page 70 for accompanying notes.

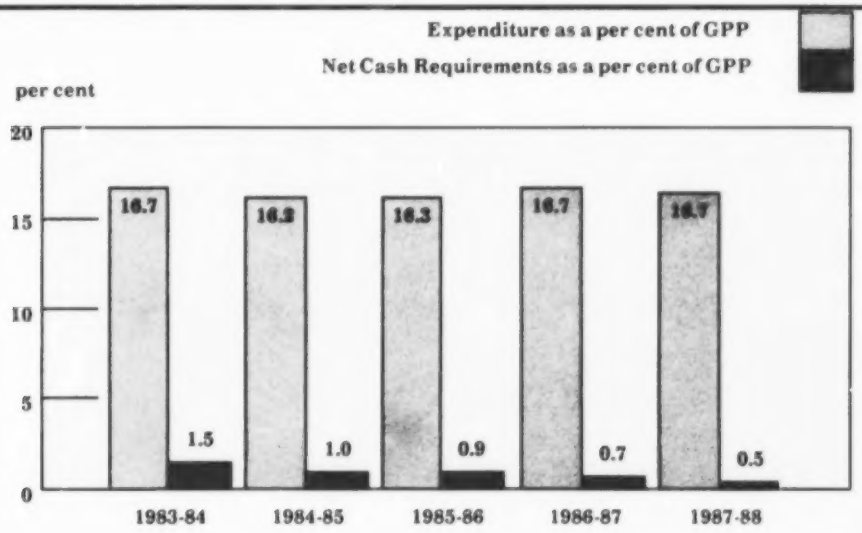
Funded Debt as a Per Cent of Gross Provincial Product: 1983-84 to 1987-88 — Chart C4



Population Served per Ontario Public Servant: 1982-83 to 1986-87 — Chart C5



Expenditure and Net Cash Requirements as a Per Cent of Gross Provincial Product — Chart C6



See page 70 for accompanying notes.

Trust Accounts

Table C4

($ million)

	1985-86	Interim 1986-87	Budget Plan 1987-88
Deposits			
Public Service Superannuation Fund	641	714	780
Superannuation Adjustment Fund	283	319	350
Provincial Judges Benefits Fund	9	8	9
OPP Supplementary Benefit Account	7	7	8
Other Pensions	6	7	8
Province of Ontario Savings Office	62	197	100
Motor Vehicle Accident Claims Fund	10	11	11
Other	11	10	26
Deposits into Trust Accounts	**1,029**	**1,273**	**1,292**
Payments			
Public Service Superannuation Fund	164	181	203
Superannuation Adjustment Fund	82	100	118
OPP Supplementary Benefit Account	5	5	6
Provincial Judges Benefits Fund	3	2	2
Other Pensions	2	1	2
Motor Vehicle Accident Claims Fund	6	7	9
Other	5	8	3
Payments out of Trust Accounts	**267**	**304**	**343**
Trust Accounts – Net Deposits	**762**	**969**	**949**

Loans and Investments

Table C5

($ million)

	1985-86	Interim 1986-87	Budget Plan 1987-88
Repayments			
Ontario Land Corporation	86	177	120
Ontario Development Corporations	57	50	40
Environmental Projects	46	37	28
Tile Drainage Debentures	22	23	23
Public Hospitals	11	10	10
School Boards[5]	79	49	45
Universities Capital Aid Corporation	26	–	–
Ontario Northland Transportation Commission	13	–	–
Crop Insurance Commission	13	–	–
Other	70	32	30
Repayments of Loans	**423**	**378**	296
Loans and Investments			
Capital Account			
Development Loans	56	43	97
Tile Drainage Debentures	15	15	21
Environmental Projects	34	16	21
Ontario Energy Corporation	13	–	–
Economic Development Projects	–	2	6
BILD	26	–	–
Other Capital	10	–	–
Other	21	10	12
Loans and Investments	**175**	**86**	157
Loans and Investments - Net Repayments	**248**	**292**	139

See page 70 for accompanying notes.

Transfers to Local Governments and Agencies

Table C6

($ million)

	1985-86	Interim 1986-87	Budget Plan 1987-88
Conditional Transfers			
Grants to School Boards			
General Legislative Grants	3,178	3,323	3,579
Grant Flow Improvement	–	330	–
School Capital Grants	73	134	147
Transportation			
Roads	527	549	601
Transit	262	267	311
Other	4	4	4
Social Assistance			
General Welfare Assistance	478	543	562
Homes for the Aged	200	235	264
Child Welfare	187	201	211
Day Nurseries	80	101	136
Other	9	13	34
Environment	118	103	136
Health			
Local Health Units	107	123	132
Other	32	35	38
Agriculture	110	114	135
Housing	45	58	67
Municipal Improvement Fund	–	60	60
Conservation Authorities	37	44	43
Library Boards	34	35	37
Recreation	48	33	27
Municipal Affairs	22	37	24
Other	38	49	52
	5,589	6,391	6,600
Unconditional Transfers			
General Support	254	282	308
Resource Equalization	130	126	125
Per Household - Policing	141	144	146
Per Household - General	103	104	106
Payments-in-lieu of Taxes	87	84	101
Northern Ontario Support	63	69	76
Revenue Guarantee	52	50	50
Other	9	8	11
	839	867	923
Tranfers to Local Governments[1]	**6,428**	**7,258**	**7,523**
Extraordinary Adjustments	1,168	–	–
Transfers to Local Governments	**7,596**	**7,258**	**7,523**

See page 70 for accompanying notes.

Ontario Public Service Staffing, 1986-87[6]

Table C7

(12-Month Average)

Ministry	Classified Staff		Unclassified Staff	Other Crown Employees	Total
	Full-Time	Part-Time			
Agriculture and Food	1,607	58	726	–	2,391
Attorney General	3,324	194	1,490	448	5,456
Citizenship and Culture	645	13	291	–	949
Colleges and Universities	226	–	40	2	268
Community and Social Services	9,102	250	1,934	–	11,286
Consumer and Commercial Relations	1,511	2	475	303	2,291
Correctional Services	5,595	121	1,192	48	6,956
Education	1,444	3	402	352	2,201
Energy	205	–	58	2	265
Environment	1,589	9	281	–	1,879
Financial Institutions	310	–	46	6	362
Government Services	2,797	3	331	–	3,131
Health	10,400	351	2,021	–	12,772
Housing	885	–	242	42	1,169
Human Resources Secretariat	224	–	100	–	324
Industry, Trade and Technology	434	1	116	2	553
Intergovernmental Affairs	63	–	12	–	75
Labour	1,445	1	203	30	1,679
Legislative and Executive Offices	85	–	49	–	134
Management Board	79	–	20	–	99
Municipal Affairs	420	2	136	1	559
Natural Resources	3,639	146	3,446	–	7,231
Northern Development and Mines	375	–	312	–	687
Office for Native Affairs	8	–	2	–	10
Office for Disabled Persons	15	–	22	–	37
Office for Women's Issues	38	–	45	–	83
Ontario Development Corporations	145	–	32	–	177
Revenue	3,768	5	451	–	4,224
Senior Citizens Affairs	13	–	21	–	34
Skills Development	388	10	110	–	508
Solicitor General	1,594	54	631	6	2,285
Tourism and Recreation	587	15	904	–	1,506
Transportation and Communications	8,546	9	1,443	–	9,998
Treasury and Economics	383	1	58	–	442
Sub-Total	**61,889**	**1,248**	**17,642**	**1,242**	**82,021**
O.P.P. Uniformed Staff and Security Guards[7]	4,455	–	–	–	4,455
Environment Plant Operators	643	–	116	–	759
Total	**66,987**	**1,248**	**17,758**	**1,242**	**87,235**

See page 70 for accompanying notes.

Ten-Year Review of Selected Financial and Economic Statistics

($ million)

	1978-79	1979-80	1980-81	1981-82
Financial Transactions				
Revenue	13,233	15,246	16,470	18,886
Expenditure	14,413	15,830	17,273	20,389
Net Cash Requirements	1,180	584	803	1,503
Financial Position[8]				
Total Debt	16,467	18,097	19,512	21,354
Funded Debt[9] (excluding Ontario Hydro)	14,038	15,196	16,215	17,592
Provincial Debt Transactions (net)	1,652	1,132	968	1,363
Gross Provincial Product (GPP) at Market Prices[10]	91,032	102,723	113,764	129,230
Personal Income[10]	75,832	84,607	94,407	110,028
Population - June ('000)	8,440	8,501	8,570	8,625
Total Debt per Capita (dollars)	1,951	2,129	2,277	2,476
Personal Income per Capita (dollars)	8,985	9,953	11,016	12,757
Total Expenditure as a per cent of GPP	15.8	15.4	15.2	15.8
Net Cash Requirements as a per cent of GPP	1.3	0.6	0.7	1.2
Total Debt as a per cent of GPP	18.1	17.6	17.2	16.5
Funded Debt as a per cent of GPP	15.4	14.8	14.3	13.6
Cumulative Net Borrowing for Ontario Hydro				
U.S.	4,141	4,506	4,379	5,573
C.P.P.	–	–	500	1,000
Contingent Liabilities (mainly Ontario Hydro)	7,096	7,904	8,553	9,284

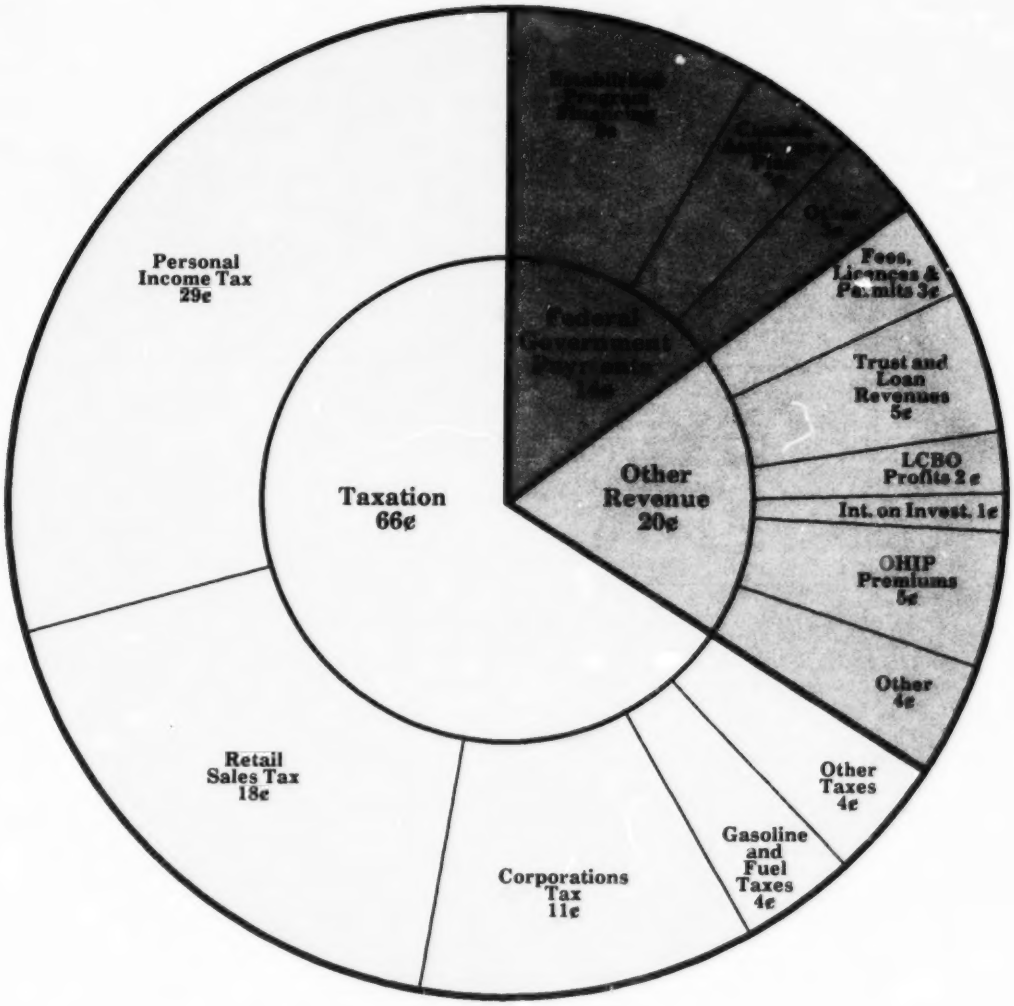
See page 70 for accompanying notes.

Table C8

1982-83	1983-84	1984-85	1985-86[1]	1985-86	Interim 1986-87	Budget Plan 1987-88
20,433	22,647	25,196	27,692	30,858	31,220	33,866
22,911	24,936	26,898	29,297	32,968	32,531	34,846
2,478	2,289	1,702	1,605	2,110	1,311	980
23,955	27,406	30,041	32,904	32,904	35,066	37,007
19,643	22,503	24,593	26,695	26,695	27,888	28,880
2,051	2,860	2,090	2,102	2,102	1,193	992
134,987	149,477	166,317	179,937	179,937	194,639	209,000
122,421	131,906	145,916	157,806	157,806	170,151	182,300
8,702	8,798	8,901	9,010	9,010	9,114	9,207
2,753	3,115	3,375	3,652	3,652	3,847	4,019
14,068	14,993	16,393	17,515	17,515	18,669	19,800
17.0	16.7	16.2	16.3	18.3	16.7	16.7
1.8	1.5	1.0	0.9	1.2	0.7	0.5
17.7	18.3	18.1	18.3	18.3	18.0	17.7
14.6	15.1	14.8	14.8	14.8	14.3	13.8
6,058	6,487	7,206	7,189	7,189	6,667	N/A
1,000	1,000	1,000	1,000	1,000	1,119	N/A
11,122	12,711	14,220	15,963	15,963	17,500	N/A

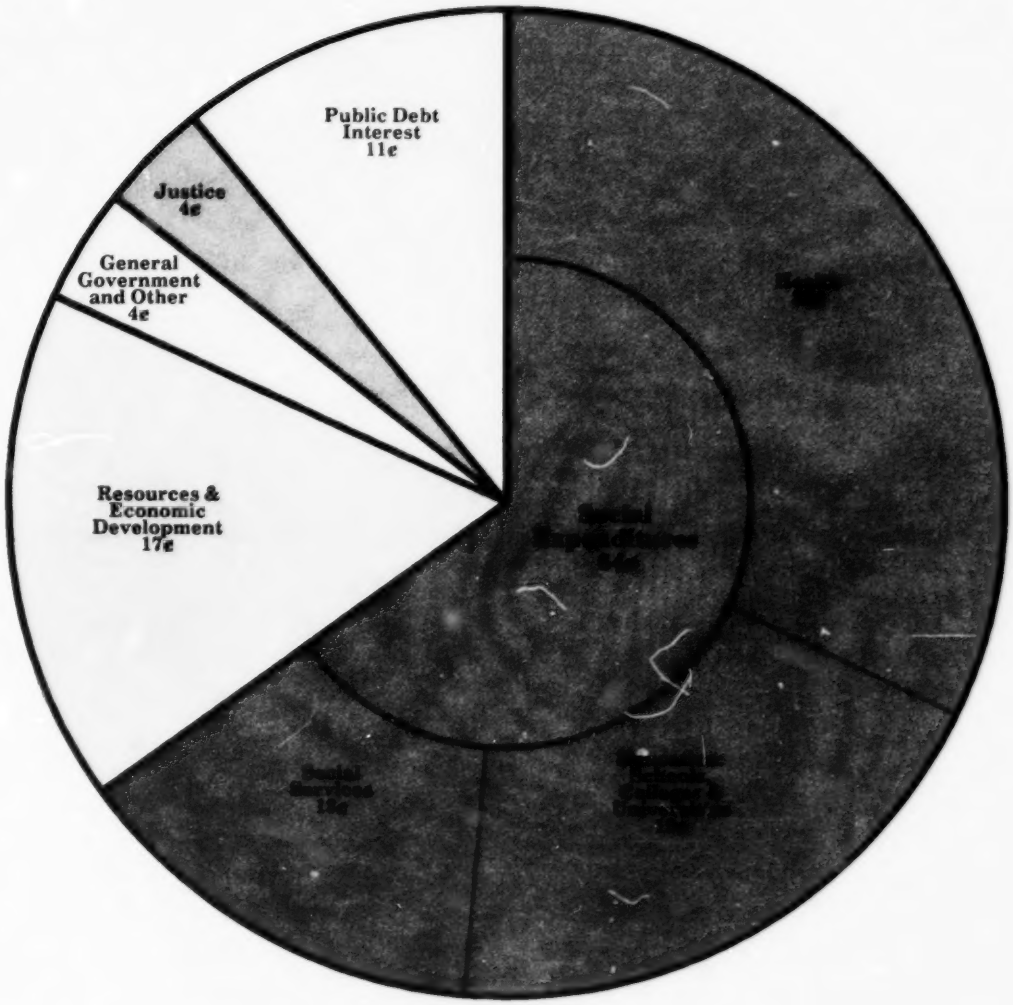
The Budget Dollar: Revenue, 1987-88

Chart C7



The Budget Dollar: Expenditure, 1987-88

Chart C8



Notes

1. Before extraordinary adjustments.
2. Net of tax credits of $292 million for 1985-86, $287 million for 1986-87, and $280 million for the 1987-88 fiscal year.
3. Comparative figures are restated to conform with current Government structure and adjusted to reflect the impact of extraordinary adjustments.
4. Includes: Teachers' Superannuation Fund, and advanced cash flow of $330 million to school boards in 1986-87.
5. Education Capital Aid Corporation in 1985-86.
6. Excludes staff of the Lieutenant Governor, Office of the Assembly, Ombudsman and Provincial Auditor.
7. Includes O.P.P. services to municipalities on a cost recovery basis.
8. All funds are quoted in Canadian dollars.
9. Funded Debt includes debentures, notes and treasury bills.
10. Gross Provincial Product and Personal Income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.
11. Total Expenditure Savings and Constraints are $350 million, comprised of $75 million from capital and $275 million from other expenditures.